TD/B/1297
TD/B/C.5/140

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

# TRADE AND DEVELOPMENT BOARD

**Thirty-eighth session, first part**

OFFICIAL RECORDS
Supplement No. 4

# Report of the Special Committee on Preferences

**on its eighteenth session
(10-17 May 1991)**

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New York, 1991**

## NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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For the recommendations, resolutions, declarations and decisions adopted by the United Nations Conference on Trade and Development, see:

First session: *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No. 64.II.B.11), pp. 18-65;

Second session: *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I and Corr.1 and 3 and Add.1 and 2, *Report and Annexes* (United Nations publication, Sales No. E.68.II.D.14), annex I, A, pp. 28-58;

Third session: *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.73.II.D.4), annex I, A, pp. 53-114;

Fourth session: *Proceedings of the United Nations Conference on Trade and Development, Fourth Session*, vol. I and Corr.1, *Report and Annexes* (United Nations publication, Sales No. E.76.II.D.10), part one, sect. A, pp. 6-43;

Fifth session: *Proceedings of the United Nations Conference on Trade and Development, Fifth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.79.II.D.14), part one, sect. A, pp. 6-50;

Sixth session: *Proceedings of the United Nations Conference on Trade and Development, Sixth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.83.II.D.6), part one, sect. A, pp. 6-40;

Seventh session: *Proceedings of the United Nations Conference on Trade and Development, Seventh Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.88.II.D.1), part one, sect. A, pp. 6-27.

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# INTRODUCTION

1. The eighteenth session of the Special Committee on Preferences was held from 10 to 17 May 1991 at the Palais des Nations, Geneva. In the course of its session, the Special Committee held seven plenary meetings. In addition, 110 private and confidential informal bilateral and plurilateral consultations were also held on individual schemes.

## Introductory statements

2. The Chairman said that the eighteenth session of the Special Committee on Preferences was taking place at an important time for the world economy. For two consecutive years the growth rate in world trade had shown signs of decline, and that was of importance for both production and employment, especially in view of the signs of recession which could be detected in many developed countries. Because of the state of uncertainty in the Uruguay Round of Multilateral Trade Negotiations, it would be wrong to expect spectacular results from the Special Committee's session, but it should be possible to make substantial progress in respect of the implementation and improvement of the GSP, and particularly in respect of quantitative restrictions, safeguards and rules of origin.

3. Finally, he welcomed Namibia, which was participating in the work of the Committee for the first time.

4. The Deputy to the Secretary-General of UNCTAD said that intentions to extend the GSP into a third decade were very much alive. The Government of Japan had been the first to extend its scheme for a further ten-year period, as well as introducing significant improvements, and other preference-giving countries would soon be completing their deliberations on the extension of their schemes. If the Uruguay Round were soon successfully concluded, the extension of other schemes could take into account the effects of tariff reductions and consequent erosion of preferential margins, and thus provide new schemes which were as liberal as possible.

5. The GSP would shortly have been in effect for 20 years. However, it had only recently started to realize its objectives for a large number of developing countries. Only a few of them, namely those with an integrated industrial base, had been in a position to fully utilize the product coverage, which was concentrated on non-traditional semi-manufactured and manufactured products. However, an increasing number of developing countries were now able to match their export supply capabilities with the existing product coverage, and had shifted their trade policy orientation towards export promotion.

6. GSP exports had risen from some $12 billion in 1976, the first year in which all schemes had been in operation, to over $60 billion in 1990. This five-fold expansion in preferential imports had undoubtedly contributed much to foreign exchange earnings and had thus helped finance the development process. Despite this impressive growth in GSP exports, it should be borne in mind that total imports from GSP beneficiaries in 1988 by OECD

preference-giving countries, other than Australia and New Zealand, had amounted to over $370 billion, of which roughly three-quarters were MFN dutiable and, therefore, potentially GSP eligible. However, less than 50 per cent of these dutiable imports consisted of products covered by the schemes, and of those only 41 per cent had received preferential treatment. As these figures suggested, the major scope for improving the effectiveness of the current GSP schemes consisted in expanding their product coverage. Limitations on the scope of current product coverage were related to the import sensitivity of certain products, and this had led to a development contrary to the principle of non-discrimination, i.e. the introduction of graduation based on unilaterally determined competitive criteria and aimed at eliminating preferential treatment on a country/product or entire country basis. The introduction of well balanced and agreed graduation criteria to deal with more competitive suppliers might be regarded as a trade-off for increasing the product coverage. It might also provide better opportunities in terms of the supply capabilities of developing countries.

7. He noted that the documentation before the Committee already reflected concerns expressed in Committee resolution 11 (XVII), namely with regard to the importance of non-tariff measures as they affected GSP product coverage. The computerized information system on the GSP called for at the Committee's last session was in the process of being completed.

8. Although it would be difficult for concrete measures for improvement of the GSP to be taken at this session, since the Uruguay Round had not yet been completed, the session provided an opportunity for an exchange of views regarding the direction the future system might take.

9. The fact that the GSP, after 20 years, was only now beginning to serve an increasingly large number of developing countries was clearly reflected in the increased number of requests being made for technical cooperation by countries which in the past had not been using the GSP. The evaluation of such GSP technical cooperation by the UNCTAD secretariat (TD/B/C.5/136) contained recommendations aimed at strengthening technical cooperation in order to enhance the increasing trend towards higher GSP utilization. In that connection, he expressed his thanks to those countries and to UNDP which continued to support the GSP programme.

10. The Director and Coordinator of the International Trade Programmes said that, at the beginning of the third decade of operation of the GSP, preference-giving countries had either committed themselves to extending the system for an additional ten-year period, as in the case of Japan, or were in the process of evaluating the scope of the new schemes. The degree of liberalization of the new schemes was related to the outcome of the Uruguay Round, since tariff reductions in that context would undoubtedly lead to erosion of preferential margins. One way of offsetting such erosion would be to increase the product coverage of the GSP schemes. This form of liberalization would be conditional on some safeguard or other means for checking excess imports from competitive suppliers. Thus, while in

contradiction to the principle of non-discrimination, the concept of country/product and country graduation had been adopted or was being considered for the new revised schemes.

11. An increasing number of developing countries attached growing importance to the GSP as their export supply capabilities in non-traditional product areas developed. These positive achievements in the export sector underscored the importance that the GSP would have as an international trade policy instrument until the end of the century.

## Chapter I

## REVIEW OF THE IMPLEMENTATION, MAINTENANCE, IMPROVEMENT AND UTILIZATION OF THE GENERALIZED SYSTEM OF PREFERENCES

(Agenda item 3)

12. For its consideration of this item, the Special Committee had before it the following documentation:

"Fourteenth general report on the implementation of the generalized system of preferences: report by the UNCTAD secretariat" (TD/B/C.5/134 and Add.1); and "incidence of non-tariff measures on imports of GSP-covered products: study prepared by Don P. Clark" (UNCTAD/ITP/55) (Background documentation).

13. The Director and Coordinator of the International Trade Programmes, introducing documents TD/B/C.5/134 and Add.1, said that the secretariat's report, after reviewing recent changes and improvements in the GSP, described the impact which NTMs had had on the GSP and indicated the diversity of safeguards and limitations under the GSP.

14. The spokesman for the Group of 77 (India) said that, at its seventeenth session, the Special Committee had adopted a resolution setting the stage for the continuation of GSP schemes through the 1990s and for expanding the scope of the only multilateral trade policy instrument providing preferential treatment to developing countries. The Committee should now go beyond an annual review and look ahead to UNCTAD VIII. The GSP could become a prime instrument of what the provisional agenda for UNCTAD VIII referred to as "international action and multilateral cooperation for a healthy, secure and equitable world economy" and "promoting economic growth, technological capabilities and accelerated development in the developing countries". UNCTAD VIII should result not only in pledges of substantial improvements in existing schemes but also evolve new mechanisms for providing preferential treatment in terms of access to developed country markets and to factors promoting trade competitiveness and accelerated development. The original overall objectives of the GSP needed to be reaffirmed if the reinforcement of the trade and development linkage was to be achieved at UNCTAD VIII.

15. The Group of 77 reaffirmed the relevance of the GSP:

(i) The basic objectives and principles of the GSP and its modest implementation provided a model for development cooperation in recognition of interdependence and mutual interest between developed and developing countries;

(ii) Developing countries benefited considerably by increased market penetration and exports to developed countries, whilst developed countries benefited by the gains made by their importers, consumers and exporters of capital goods. Developing countries were able to import more through the accretion of purchasing power from increased export earnings;

(iii) Document TD/B/C.5/134 pointed to a steady increase in preferential imports by OECD preference-giving countries, with the value of such imports reaching a level of approximately $60 billion in 1988 - up from $31.6 billion in 1982. The annual average increase of preferential imports had been almost twice as high as that of imports from all other sources, with the annual average increase of covered imports amounting to 16 per cent. This increase emphasized that the GSP had started making itself felt, and that many developing countries were only now able to make use of it through the build-up of export supply capability, particularly in those manufacturing sectors which matched the product coverage of most schemes;

(iv) The full potential of the GSP had barely been tapped, and the 1990s must therefore mark a new attempt at achieving its true potential;

(v) The globalization of trade and production and the increasing role of transnational corporations of developed countries in the use and allocation of resources and of the direction and patterns of international trade and trade competitiveness pointed to the need for such measures as the GSP to encourage beneficial cooperation and interaction between the TNCs and developing countries so as to yield long-term and stable benefits for developing countries. Studies commissioned by UNCTAD had proved that factors created by the stimulation of export-oriented investment by the GSP could have been responsible for an increase of $1 to $6 billion per year in the export earnings of developing countries. The GSP could continue to play this role by influencing the locational policies of TNCs and providing a fillip for their investment in and industrialization of developing countries;

(vi) The continuation and strengthening of the GSP were also justified by the critical need for trade and export support for developing countries. The disadvantages faced by developing countries in participating in and benefiting from the technology-led revolution in international trade due to the increasing technology gap between developed and developing countries, the serious resource crisis faced by them in the context of debt-related outflows, unfavourable terms of trade, declining returns from commodity exports and widespread poverty had combined with a number of external shocks to increase their need for support;

(vii) Regional integration arrangements and FTAs among developed countries and the efforts to integrate Eastern European countries into the world economic and trading system enforced the need for further strengthening of the GSP in favour of developing countries to offset the absorption and diversion of resources and trade;

(viii) The Uruguay Round of MTNs would have an impact on the extent of market access for developing countries. Unless differential and more favourable treatment for developing countries was incorporated

into the negotiated outcome, these countries would not necessarily attain their market access objectives. In the specific area of tariff liberalization, because of the nature of the tariff reduction negotiations, reductions had applied to items of export interest to developed countries because of the premium put on reciprocity. This contrasted with the GSP, which was based on non-reciprocity. Developing countries might be unable to pay the price demanded for obtaining concessions in some products of export interest to them if it were inconsistent with their trade, developmental and financial needs. Hence the continued relevance and need for preferential market access so as to avoid discrimination against them in developed country markets;

(ix) Despite the increasing resort by developed countries to NTMs to restrict trade, the Uruguay Round was considering proposals for "tariffication" of NTMs. This would further strengthen the case for tariff preferences for developing countries in the GSP context;

(x) The unilateral and autonomous trade liberalization undertaken by developing countries at considerable cost to themselves called for complementary action by the international community if developmental dividends were to be achieved and sustained. A strengthened, improved and expanded GSP would be a measure of support for their trade liberalization policies.

16. The continuing validity of the GSP had been reaffirmed at the Committee's seventeenth session, when preference-giving countries had made a positive commitment to the system. Some positive movement had subsequently been recorded, in particular in the area of review and renewal of GSP schemes of major preference-giving countries. The review process under way, particularly in Japan, the United States, the EEC, Canada and EFTA countries had given rise to concern in developing countries as to the direction that would be taken. Japan had, however, led the way with its decision to extend its GSP scheme to the year 2001. That this had been done in the context of considerably liberalized and improved provisions of the scheme was welcomed. A similar intent expressed in the guidelines for the GSP in the 1990s submitted by the EEC Commission to the Council was also welcomed. These guidelines incorporated many constructive proposals for simplification, stabilization and liberalization of the EEC scheme. In the light of these positive developments, the Committee should urge all preference-giving countries not only to extend their schemes into the twenty-first century but also to incorporate substantial improvements, taking into account the experience gained so far. They should address concerns of preference-receiving countries with regard to issues such as product coverage, beneficiaries, preferential margins, a priori limitations and restrictions, stability and predictability, safeguard measures, non-tariff measures and rules of origin. These concerns were also relevant for consideration at UNCTAD VIII.

17. The admission of Namibia as a beneficiary of the schemes of seven preference-giving countries and of Mongolia in the schemes of the EEC and Switzerland was welcome, as was also the re-designation of some countries as beneficiaries under the United States scheme. The discretionary exclusion

from GSP treatment either on a temporary or permanent, ab initio or ad hoc basis of some developing countries in violation of the principle of the system's generalized and non-discriminatory nature remained a matter for concern. These exclusions had been made on a unilateral basis without any objective or fixed criteria and without prior consultations with the excluded countries. The threat of denial of beneficiary status was also being used to secure reciprocal concessions from developing countries, in violation of the GSP principle of non-reciprocity and of the agreement in the Final Act of UNCTAD VII that observance of multilaterally agreed commitments in respect to trade in goods should not be made conditional on receiving concessions in other areas. Developing country beneficiary status in one scheme was being held hostage to the preference-giving country's views on the type of policies preference-receiving countries should follow in such areas as intellectual property rights protection, workers' rights, investment and political issues. Fortunately, this practice was confined to one scheme only, and such linkage should be eschewed. UNCTAD VIII should aim at ensuring that developing countries, recognized as such by the United Nations, which had requested beneficiary status should be granted GSP treatment by preference-giving countries. There should be no unilateral exclusion of countries without reference to multilaterally agreed and fixed criteria and prior consultations with potentially affected countries.

18. As regards product coverage, some positive developments had been noted. Nevertheless, there was a basic mismatch between what developing countries could export and the products covered under the major schemes. Ab initio exclusion of semi-processed and processed agricultural products, leather products, textiles and clothing, glass and glass products, steel products and some categories of electronic products of export interest to developing countries remained a major hindrance. Australia's example in regard to comprehensive product coverage should be followed by other preference-giving countries, and UNCTAD VIII should record significant progress in this regard.

19. On the issue of the preferential margin, Committee resolution 11 (XVII) recommended that preference-giving countries should consider granting deeper tariff cuts aimed, where possible, at duty-free treatment. This was significant in the context of MFN tariff reductions expected as a result of the Uruguay Round. In some cases the preferential margins would be so low as to be almost meaningless. It would, therefore, be desirable that the example of the United States and the Nordic schemes in granting across-the-board duty-free treatment be followed by other preference-giving countries.

20. A priori limitations and restrictions and differentiated granting of preferential treatment to beneficiaries had been recognized as the Achilles heel of most GSP schemes. Application of quantitative restrictions and unilateral limitations on products in which developing countries had export capacity had become chronic features. Such restrictions were imposed on a yearly basis in most schemes, making the preferences unpredictable and too complicated for developing country exporters to use. Differentiation in the context of the GSP schemes had also meant violation of the principle of non-discrimination. Differential product coverage lists with different sets of beneficiaries had all detracted from the major GSP schemes. Resolution 11 (XVII) urged the preference-giving countries to strive to reduce a priori limitations and restrictions on preferential imports and to impart

stability and predictability to the schemes. One positive development in this regard had been that the EEC Commission guidelines for the renewed Community GSP scheme for the decade 1991-2000 had suggested the removal of all quantitative restrictions and limitations and also greater stability for the scheme through its application on the basis of three-year periods. Nevertheless, on the overall question of product/country differentiation, the major schemes had strengthened rather than phased out such differentiation. The EEC guidelines had proposed the so-called product/country exclusions on grounds of sensitivity of imports and other "general indicators" such as non-GSP trade performance, per capita income, etc. The United States GSP scheme had the so-called "competitive need criterion" providing for the withdrawal of preferential treatment when imports of a particular product from a particular beneficiary exceeded 50 per cent of total United States imports of that product or a certain dollar value. In 1987, the application of the competitive need criterion had resulted in the exclusion from preferential treatment of imports valued at $18.6 billion. The determination of product/country appeared to be treated selectively, being based on varying criteria which were both unilaterally determined and applied differently from scheme to scheme. Until such time as product/country exclusions were abandoned in these schemes, there was a need to adopt multilaterally agreed criteria. These should deal not only with the competitiveness issue in the limited context of percentage or value of total imports of a particular product into the market of a preference-giving country (the percentage and value thresholds should be considerably increased) but also with other factors such as the overall dependence of the country on a particular commodity or product exported, whether the country product exclusion would actually benefit other preference-receiving countries, whether in regard to a particular product the beneficiary concerned had absolute and sustained competitiveness, and finally the technological sophistication attained by the country in respect of particular products. UNCTAD VIII would have to look very closely at this major limiting factor in the effective and full utilization and benefit of the GSP schemes. In this regard, the quota-free and differentiation-free aspects of the Canadian scheme would be instructive.

21. Since the establishment of the GSP it had been recognized that preference-giving countries would have the possibility of using safeguard measures to provide temporary respite from surges of GSP imports causing injury to domestic industries. Preference-giving countries had, however, used a priori limitations rather than escape clause measures to retain control over the trade generated by the GSP. It was clear that if safeguard measures were to be based on objective criteria and transparent procedures, the example of the Canadian GSP scheme would appear to show the way. Resort to escape clause measures should be exceptional and temporary, take due account of the general interests of the developing countries and provide for appropriate prior consultations with beneficiary countries. Safeguard action taken should also be in keeping with objective criteria and follow transparent procedures. Investigations in this regard should only be initiated once it was determined that a prima facie case of material injury existed in order to avoid harassment, trade disruption and litigation and expense for developing country exporters.

22. A major factor determining the effectiveness of GSP schemes would be the extent to which the problem of NTMs would be reduced and eliminated. GSP-covered products faced a wide variety of NTMs in the markets of preference-giving countries, and heavy reliance was placed by some of them on the use of hard core NTMs. This situation seemed inconsistent with the statutory exclusion from GSP eligibility of many import-sensitive items under most schemes. Moreover, it was the major beneficiaries under the various GSP schemes that were most affected by NTMs; imports from some major beneficiaries were affected by non-tariff measures to the extent of 80 to 90 per cent, and in overall terms, at least 25 per cent of GSP-covered imports into OECD countries were affected by NTMs. Agricultural products were also covered on a sector-specific basis in many schemes. The incidence of NTMs on GSP-covered imports into Austria was extremely low, and that example should be followed. This question should be addressed in the context of the reviews of the major schemes that was under way, and a positive indication should be given by the Special Committee and at UNCTAD VIII that GSP benefits would be made NTM free.

23. With regard to the rules of origin, a desirable goal was their harmonization, simplification and liberalization in such a way as to make the schemes user-friendly. Some preference-giving countries had moved towards giving regional cumulation to one or two regional groups of developing countries, whilst others were considering this issue. Some countries like Japan recognized donor country content cumulation, thus making the linkage between investment and GSP even stronger. In the context of promoting South-South cooperation in industry and trade, more countries should follow the example of Canada in recognizing global cumulation.

24. The five countries of Eastern Europe were to be thanked for maintaining and implementing their GSP schemes for the last two decades. In the context of their adoption of market-based economic reforms and the decentralization of foreign trade, new GSP-related opportunities would arise for developing countries, since individual countries and enterprises of Eastern Europe would be able to source imported inputs based on profit considerations. It would, therefore, be necessary for meaningful GSP schemes to be in place for developing countries. It was understood that apart from a notification from Poland about the exclusion of some developing countries from its scheme and the reduction of its preferential margin, Eastern European countries had not provided any written information. Such information would be welcome.

25. A number of Eastern European countries were now both preference-giving and preference-receiving countries. Ways could be found to strengthen trade between these countries and developing countries through the creative use of their beneficiary status. The trade diversion effect on developing countries would, to some extent, be mitigated.

26. Finally, it had to be acknowledged that tariffs were becoming less important as a determinant of market access, having regard to the increasing problems being posed by non-tariff measures, restrictive business practices, and problems regarding developing country access to means of achieving trade competitiveness, namely technology, international distribution, marketing and information channels and networks, as well as trade financing. It was

necessary to consider how to extend the preferential treatment in the area of tariffs to all types of barriers to developing country exports. Measures would also have to be devised to enable developing countries to obtain access to other determinants of trade competitiveness through GSP-type affirmative actions.

27. The spokesman for Group B (Greece) said that his Group renewed its commitment to the GSP as a useful autonomous instrument for enhancing exports and overall development. He noted, however, that different preference-giving countries had different views on the issues before the Committee.

28. The GSP was indeed an instrument of international cooperation and consequently promoted development. It was generally considered that the GSP was one of the major substantive achievements of UNCTAD which promoted the development of developing countries, thus preparing them for integration into the international trading system so that they could fully undertake their obligations.

29. Efforts had been made by all parties concerned to increase GSP utilization rates. His Group supported such efforts, and thought that developing countries should give attention to action-oriented domestic policies for improving and encouraging export competitiveness and better utilization of the GSP. Since the Committee's seventeenth session and up until the end of March 1991, a number of modifications in the GSP schemes of Group B countries, including the EEC, had been undertaken, and these would be analysed in detail. He noted that, since the seventeenth session, Japan had extended its scheme for another 10-year period ending 31 March 2001. The United States and the EEC had expanded the coverage of their schemes to four Andean countries within the context of the fight against drugs, on a temporary and exceptional basis. Additionally, Namibia had become a beneficiary of the schemes of Austria, Finland, Norway, Sweden, Switzerland, the United States and the EEC. Mongolia had also became a beneficiary of the schemes of the EEC, Austria and Switzerland. During the past year the EEC had extended preferential treatment on a temporary and exceptional basis to a number of Eastern and Central European countries, and Austria had also granted GSP treatment to these countries.

30. Although data for the period 1986-1989 were rather incomplete, there had been very substantial increases in imports by Group B countries which had provided preferences since 1972. Approximately one third of the value of imports by Group B countries had been covered by the GSP (109 out of 323 billion dollars), with individual variations.

31. As regards major beneficiaries, with one exception the first 10 countries belonged to the Asian Group. This was indeed in contrast to another category of countries, the LDCs, which ranked very low as beneficiaries.

32. A major event since the seventeenth session of the Committee had been the Paris Conference on the Least Developed Countries. The Paris Programme of Action acknowledged that many LDCs lacked the expertise to derive full benefit from the various GSP schemes. Within the implemention of the principle of

shared responsibility and strengthened partnership, it identified a number of areas for further consideration, including possible improvements in the schemes and increased efforts on the part of the LDCs to take advantage of them.

33. He also noted, on behalf of Group B, that the impact of a successful conclusion to the Uruguay Round would be of utmost significance for the developing countries and the international trading system.

34. The practical value of bilateral consultations had been recognized by developing countries and was expected to be beneficial during the current session as well. Group B wished to remind all parties concerned of the successful outcome of the 1990 session, as contained in Committee resolution 11 (XVII).

35. The representative of China said that the Special Committee's current session not only had a direct bearing on the implementation of the GSP for the next nine years, but should also produce a substantive input for UNCTAD VIII. His country was pleased to note the positive measures which some preference-giving countries had taken since the Committee's 1990 session in improving their respective GSP schemes. These measures included the extension of lists of beneficiary countries and of preferential products, relaxation of certain restrictions and extensions of some schemes. They had increased the exports of developing countries and promoted the processing and diversification of their products. While these positive results were welcome, various factors hindered the GSP in playing its full role. The system was being eroded and restricted by certain measures taken by the preference-giving countries. Unilaterally discriminatory measures had been adopted in regard to preference-receiving countries, and some of the less effective schemes had been burdened with new restrictions. In general, safeguard clauses adopted by the preference-giving countries lacked transparency, and a priori limitations, NTMs under all sorts of guises and deliberate administrative interventions had made it difficult for exports from preference-receiving countries to enter the markets of preference-giving countries. Anti-dumping measures, countervailing duties and product graduation were particularly serious. For these reasons, preference-receiving countries found it difficult to derive all the benefits from the GSP. According to document TD/B/C.5/134, almost one quarter ($7.7 billion) of GSP-covered products ($33.3 billion) in 1986 terms would have been affected by NTMs had the 1989 NTMs been in operation during that year. This illustrated the damage caused by NTMs. In addition, the complex and diverse rules of origin also impeded the utilization of GSP, especially in the case of the least developed countries.

36. Renewed efforts by his authorities to improve the utilization of the GSP had helped to promote export trade. While China thanked the preference-giving countries for their positive cooperation, it had encountered various unreasonable limitations and discriminatory treatment in utilizing the GSP. Some preference-giving countries had not granted GSP treatment to his country for non-economic reasons, and it was hoped that this situation would be reversed as early as possible.

37. His delegation supported the useful recommendations put forward in the conclusions of the document TD/B/C.5/134 and suggested that they should become the subject of serious study and consideration. He also hoped that the reactions and requirements of the preference-receiving countries regarding the utilization of the GSP would be taken into account by the preference-giving countries as they continued to improve their respective schemes. Various unjust practices which ran counter to the principles and objective of GSP should also be eliminated.

38. The representative of Austria, referring to his country's scheme, said that certain changes had been introduced by his authorities. As from 1 January 1991, the "Arab Republic of Yemen" and "People's Democratic Republic of Yemen" had been replaced by "Republic of Yemen" which, under the Austrian scheme, was treated as a least developed country in Group II of the preference-receiving countries. Mongolia had already become a beneficiary under Group I as from 1 July 1990. With effect from 1 March 1991, Austria had transferred the Republic of Liberia to Group II, while Namibia had been added to the list of preference-receiving countries and as from 1 May 1991 was classified in Group I. On the basis of a law enacted by the Austrian Parliament with effect from 1 July 1991, the Czech and Slovak Federal Republic would also become a preference-receiving country under Group I of the Austrian GSP scheme. As regards product coverage, the safeguard mechanism and the rules of origin, no changes had been made.

39. The Austrian GSP scheme for the second decade was due to expire on 31 December 1991. While his authorities were, in principle, willing to extend the duration of the scheme for another decade, it was necessary to take into account developments in Western Europe in order to avoid undue complexities for preference-receiving countries exporting to these countries. However, these developments were still unfolding, and the Austrian authorities intended to submit an act to parliament, the purpose of which was a simple extension of the validity of the present scheme, unchanged, until 31 December 1992. The intention was to gain the necessary time required to insert changes which would result in a higher degree of harmonization of the Austrian scheme with other schemes in Western Europe.

40. As was generally known, the EFTA preference-giving countries were prepared to accept cumulative acquisition of origin by members of regional and subregional economic groupings of preference-giving countries. So far, only the States members of ASEAN had made use of this possibility. Recently, the States members of the Southern African Development Co-ordination Committee (SADCC) had applied for similar treatment, which the EFTA preference-giving countries were prepared to accept, pending finalization of administrative procedures by SADCC.

41. He noted that document UNCTAD/ITP/55 showed the extremely low incidence of non-tariff measures on imports covered by the Austrian GSP scheme. This was proof of the open and liberal nature of the Austrian scheme. He also noted that the safeguard provisions under the Austrian scheme provided for sufficient domestic transparency.

42. The representative of Switzerland said that the Swiss GSP scheme was to be extended for a five-year period starting in March 1992. The limited nature of this extension was due to the desire to take account of the rapid developments in preference-receiving and preference-giving countries, as well as the deliberations of the Committee.

43. In 1990, Swiss imports from GSP beneficiaries had amounted to 7.6 billion Swiss francs (equivalent to $US 5.4 billion), with an increase of 10 per cent in comparison with the previous year. Of this amount, imports covered by the GSP had accounted for 5.3 billion Swiss francs, with a utilization rate of 37 per cent if precious metals and stones were included, or 65 per cent if those products were excluded. The share of developing countries in global Swiss imports had increased from 7.3 to 7.9 per cent. The value of LDC exports to Switzerland in 1990 had amounted to 86 million Swiss francs.

44. The Swiss scheme did not impose quantitative limitations, and no countries or products had been excluded from the scheme since its inception. Namibia and Mongolia had been added to the list of beneficiaries, this being the only change to the scheme during 1990.

45. Referring to the recent inclusion of a number of countries in Central and Eastern Europe in certain schemes and to the granting by some preference-giving countries of special preferential treatment to countries involved in the fight against drug production and trafficking, he said that the extension of the GSP was not the most appropriate measure in this connection and that other kinds of support measures were more conducive to these objectives, such as the liberalization of trade on a contractual basis or the granting of technical and financial assistance. According to the GATT enabling clause, preferential treatment could be granted only to the developing countries as a whole or to the least developed countries as a group, and the principle of self-election was still regarded by his authorities as one of the basic principles of the GSP.

46. As far as non-tariff measures were concerned, his delegation shared the view of the UNCTAD secretariat regarding the negative impact that such measures could have on the GSP. Two points were emphasized: (i) NTMs implemented by Switzerland, mainly in the agricultural sector, applied to goods without distinction as to origin; (ii) there was no consensus about the impact that a particular NTM could have on trade. Attempts at liberalization of NTMs had to be included in the framework of the Uruguay Round negotiations.

47. It was underlined that Switzerland had never resorted to its safeguard clause; nevertheless, the suggestion made by the UNCTAD secretariat with regard to following the Canadian model in order to achieve greater transparency was viewed in a positive light.

48. The representative of the Union of Soviet Socialist Republics said that the GSP had proved itself to be an important instrument for promotion of trade and development. The report prepared by the UNCTAD secretariat confirmed this view, pointing out both the progress achieved in application of the GSP, as well as those problems which were not yet solved.

49. His country was in a period of transition towards a market economy, and new legislation was being adopted which would create the legal prerequisites for the functioning of a market economy, including the relevant trade policy instruments reflecting the requirements of the multilateral trading system. In this connection, the USSR had recently adopted a new Customs Code and Law on Customs Tariff, which would come into force on 1 July 1991. In accordance with article 4 of the Law on Customs Tariff, a new body called the Customs and Tariff Council would be set up which would be responsible for establishing the USSR's customs and tariff policy, putting into effect customs duties, changing and abolishing them as appropriate, granting tariff preferences, elaborating safeguards related to the All-Union market, and assessing international agreements in the field of customs and tariff matters.

50. Article 20 of the Law on Customs Tariff allowed for the granting of tariff preferences in the form of duty-free imports, as well as reduced MFN duties and the establishment of quotas for preferential treatment for goods originating in developing countries beneficiaries of the GSP.

51. His country would for the present time continue to grant the preferences stipulated by the present national scheme (document TD/B/373/Add.5, dated 4 May 1972) before putting into effect the new customs tariff in July 1991. This meant that the USSR would not at present levy customs duties on goods imported from and originating in developing countries of Asia, Africa and Latin America.

52. In accordance with the above-mentioned Law, a new Customs Tariff was currently being worked out which would provide tariff preferences for developing countries and more favourable treatment for LDCs. A list of beneficiary countries would also be prepared.

53. The representative of Colombia said that the GSP system had proved to be a valuable, though imperfect, tool in international trade. Thus the decision of the Japanese Government to extend its scheme until 2001 was welcomed.

54. Starting in November 1990 and for a period of four years, Colombia, along with Bolivia, Peru and Ecuador, would enjoy preferential treatment under the EEC scheme comparable to that applying to LDCs as a form of compensation for the diversion of resources to combat the menace of drugs.

55. He noted that some improvements had been introduced in the United States scheme and expressed the hope that the proposed legislation known as the "Andean Initiative" would shortly be passed by Congress.

56. The utilization rate by Latin American countries of the GSP schemes of the EEC, the United States and Japan was quite low: 50.8 per cent, 14.1 per cent and 12.8 per cent, respectively.

57. As far as non-tariff measures were concerned, such measures were inconsistent with GSP objectives. Preference-giving countries should either eliminate them where they affected GSP exports or grant technical cooperation

to developing countries in order to help them to overcome those barriers. UNCTAD document TD/B/C.5/134/Add.1 had shown that certain Colombian products were adversely affected by NTMs in the United States market. There were other products which were excluded from GSP benefits because of the competitive need limits or the implementation of the graduation policy. He supported the requests made for the implementation of an objective and transparent safeguard mechanism.

58. Finally, he emphasized that some laws, meant for the safeguard of certain common interests such as the environment, could have a negative impact on the GSP.

59. The representative of Czechoslovakia said that his country had been a preference-giving country since 1972. In 1978, only six tariff headings had remained excluded from the scheme, which had been extended to 83 developing countries and 21 LDCs. By June 1989, 32 least developed countries and 90 developing countries were being granted GSP benefits and only four tariff headings relating to sugar and cigarettes were excluded.

60. As indicated in document TD/B/GSP/CZECH/5, the rules that had come into effect in July 1989 provided that goods imported from 44 least developed countries and tropical products imported from all developing countries were to be given duty-free treatment. Furthermore, goods imported from 80 beneficiaries were granted a 75 per cent tariff cut, and certain specially designated goods were granted an 85 per cent cut. Only five tariff headings were excluded from the Czechoslovak scheme.

61. Full and global cumulation was applied and the principles of GSP were observed, namely the generalized, non-reciprocal and non-discriminatory nature of the preferential arrangements. Quantitative limitations were not imposed on preferential imports.

62. In practice, the advantages derived from the implementation of the GSP scheme depended upon the activities of the beneficiary countries' exporters and their ability to supply the market with suitable products.

63. The representative of Sweden said that, since its introduction in 1972, the Swedish scheme had been simple and transparent. The goods eligible for GSP treatment enjoyed total exemption from import duties, and no tariff quotas or ceilings were applied. The safeguard clause had never been used. Sweden granted duty-free treatment for all products from the LDCs, which included all countries so designated by the United Nations. So far 93 beneficiary countries had notified the Swedish Government that they wanted to benefit from the GSP scheme, and of these countries 18 had the status of LDCs. With regard to Namibia, it was intended to encourage that country to fulfil the notification procedures by sending the names of government authorities empowered to issue certificates of origin and specimen impressions of their stamps to the Ministry for Foreign Affairs in Sweden.

64. As regards document TD/B/C.5/ORIGIN/42 of 8 February 1991, Togo had expressed the wish to benefit from tariff preferences granted by the GSP schemes. The Swedish authorities would give this favourable consideration,

subject to a notification from the Togo authorities direct to the Swedish Ministry for Foreign Affairs, as well as compliance with the procedures indicated in the case of Namibia. The Ministry would then notify the countries concerned when all formalities had been fulfilled and duty-free treatment would be allowed. Other LDCs should also fulfil the same notification procedures.

65. With respect to trade statistics, Sweden's GSP imports from 1988 onwards were established at a seven-digit level under the Harmonized System (HS). Total imports for 1989 within the GSP scheme amounted to SKr 4.8 billion, which was nearly 20 per cent of total imports into Sweden from the beneficiary countries. Total imports from these countries amounted to SKr 24.5 billion. Products worth SKr 10.5 billion had been imported duty-free on an MFN basis, which meant that altogether about 63 per cent of total imports from beneficiary countries were duty-free. The average utilization rate of the Swedish GSP scheme in 1989 had been 63 per cent.

66. As regards the automatic licences required in Sweden for imports of some textile products, it should be noted that this related only to products from the Eastern European countries. As from August 1991, imports of textiles and clothing into Sweden would be totally free from licence requirements.

67. The representative of Norway said that the GSP was one of the major achievements of UNCTAD as a means for promoting trade and development in developing countries. It was therefore encouraging that, in recent years, the average increases in preferential imports by OECD countries had been almost twice as high as the increases in imports from all sources. However, the GSP had not yet achieved its full potential. Nevertheless, the Committee's work, taken together with UNCTAD's technical cooperation activities in this area, would improve knowledge among developing countries about the utility of different schemes, which in turn should lead to increased GSP exports. It was particularly important that LDCs should be enabled to take advantage of the GSP, especially through the improvement and extension of the various schemes so as to include more products of particular interest to these countries.

68. The Norwegian scheme had been under continuous review and improvement since its inception. It was one of the simplest and most liberal schemes, and her country had no intention of changing the fundamental characteristics of the scheme in the foreseeable future. Since the Committee's seventeenth session, Namibia had been included as a new beneficiary on least developed country terms.

69. The Norwegian authorities shared the concerns regarding the proliferation of NTMs and safeguard provisions. These could limit access to preferential treatment for developing countries and thereby reduce the effectiveness of GSP schemes. They hoped that a successful outcome of the Uruguay Round of MTNs would include a substantial reduction in NTMs.

70. The representative of Hungary said that a number of improvements in the Hungarian GSP scheme had been undertaken in regard to the level of preferential tariff rates and the list of beneficiaries. As from 1 September 1990, Hungary had reduced the preferential duty rates for

fructose, diabetic honey, anilin oil, vacuum cleaners and unassembled colour TV-receivers. From February 1991, preferential duty rates had been reduced for 60 products, including certain mineral products, chemical products, certain wood articles, uncoated paper and paperboard, and auxiliary textile machinery. Further improvements had been introduced in May 1991, when the preferential rates had been reduced, in some cases to zero, in respect of cellulose and its chemical derivatives, waste of cellulose, stranded wire, ropes, cables, razors and razor blades, electro-mechanical domestic appliances and cutting blades for shavers. From 1 January 1991, Cuba, the Democratic People's Republic of Korea, Mongolia and Viet Nam were included in the list of GSP beneficiaries.

71. Most products imported from beneficiary countries were covered by the Hungarian scheme and received GSP treatment. However, suppliers to the Hungarian market had to recognize its highly competitive nature.

72. At the same time, the success of the restructuring process in Hungary would be determined to a large extent by the improved market access possibilities in sectors where Hungarian products were competitive. The preferential tariff treatment granted to Hungary by some OECD countries was therefore of great importance. The successful conclusion of the Uruguay Round of Multilateral Trade Negotiations was of utmost significance.

73. Since 1 January 1991, the Hungarian Trade Customs Tariff had been based on the Harmonized Commodity Description and Coding System. This, however, had not reduced GSP product coverage. A description in English of the Hungarian GSP scheme based on the HS was being compiled.

74. The representative of the European Economic Community said that the GSP was a useful tool for the development of developing countries. In 1989, EEC imports enjoying GSP treatment had amounted to $US 20,970.6 million.

75. While it was not possible at the present session to make firm pronouncements, the EEC intended to extend its scheme for a decade and to improve the simplicity, stability and transparency of the scheme. The EEC had already shown its support for the LDCs, whose utilization of the EEC GSP scheme was insufficient. The EEC would increase its technical cooperation activities in order to improve the knowledge and the utilization of its scheme.

76. It was important to ensure better utilization of the regional cumulation arrangements granted to certain economic groupings, as well as the extension of cumulation to those other groups which were in a position to take advantage of it. Regional cumulation was regarded by the EEC as essential for improving developing countries' exports, as well as for strengthening regional integration. Beneficiary countries had to take part in this effort by promoting inter-industry cooperation and a true system of free trade among themselves.

77. Concerning the environment of the GSP, namely international trade conditions as negotiated in the Uruguay Round, this had at least a partial impact on the GSP. As regards the new scheme for 1992, the EEC authorities

were still in the process of elaborating its components. In this process, great attention had to be paid to the fact that problems of development and changes in the economies of developing countries were still pressing, as well as to the need to take account of the differentiation in the development status of different developing regions and countries. Four countries (Mongolia, Namibia, Bulgaria and Czechoslovakia) had been added to the EEC's beneficiary list during 1990.

78. The EEC had also decided to grant special preferential treatment on an expanded and temporary basis to certain countries which were involved in the fight against drugs. Nevertheless, it was recognized that this special régime could have consequences on a system like the GSP which was by definition a generalized and non-discriminatory instrument.

79. In that connection, the EEC had, on a transitional and exceptional basis, extended GSP status to certain Eastern European countries, namely Poland, Hungary, Czechoslovakia, Bulgaria and Romania, which were facing serious economic difficulties following the political changes which had taken place in 1989. These measures had been taken in the perspective of free-trade agreements currently being negotiated with Poland, Hungary and Czechoslovakia.

80. As far as non-tariff measures were concerned (document UNCTAD/ITP/55), in the EEC's view the document in question did not present an accurate picture of the situation. Since the beginning of the elaboration of the UNCTAD database system on non-tariff measures, the EEC had expressed doubts about the system per se and the reliability of the results which could be drawn from it.

81. The representative of India said that the relevance of a truly multilateral instrument of trade preferences like the GSP for developing countries was unquestionable. Regional free-trade agreements and preferential arrangements were no substitute for an across-the-board, global, multilateral approach. Moreover, for some developing countries, including India, the GSP was the only instrument of trade preference available. There was, therefore, every justification for its substantial improvement by way of full product coverage, duty-free treatment and elimination of all limitations and restrictions.

82. Over 50 per cent of India's imports into OECD countries were dutiable. Hence, the extent to which tariff preferences were available in respect of these countries was an important trade promotion consideration for her country. At present, only 52 per cent of India's dutiable trade enjoyed GSP coverage in OECD countries. The maximum GSP coverage for India's exports was in the EEC and Swiss schemes, whilst in some others it was as low as 22 per cent. In some schemes, the GSP coverage of its agricultural exports was good, whilst in others it was as low as 8 per cent. In some schemes, the GSP coverage of even industrial exports was as low as 22 per cent largely due to the total exclusion of MFA textile goods and leather goods. Meaningful expansion of product coverage to include all products of export interest to developing countries was therefore a major area for improvement of the GSP. Her country had made every effort to utilize the existing GSP schemes to the extent possible.

83. India's GSP-covered exports were also increasingly affected by so-called product/country exclusions, competitive-need criteria provisions, global ceilings, maximum country amounts and other limitations and restrictions in some major schemes. There was no economic justification for product-specific graduation and restriction; it went against the objectives of the GSP, namely to promote industrialization and exports of the developing countries, by denying preferential benefits to the very countries that were in a position to make use of them. As regards competitiveness, there had to be some multilaterally agreed criteria for proven, sustained and absolute competitiveness of a beneficiary before preferential treatment was withdrawn.

84. On safeguard action, particularly in the course of their reviews of their GSP schemes, preference-giving countries should restrict safeguard action to escape-clause-type action only, and they should respect the principles of exceptionality, temporariness and prior consultations with the potentially affected beneficiary. Preference-giving countries had committed themselves to adopting objective criteria and transparent procedures in taking safeguard action, and these features should be brought to bear, in regard to some schemes, with respect to procedures for admitting injury petitions. Before such petitions were admitted and investigations started, the authorities concerned should satisfy themselves that a prima facie case of material injury existed and only then pursue the investigations. Otherwise it caused avoidable harassment and uncertainty to exporters, many of whom represented the small-scale industry sector and were thus unable to sustain uncertainty and expense.

85. An important area of concern for her country with regard to some GSP schemes was the steady erosion of the principles on which the GSP was based. These schemes had become progressively less generalized and non-discriminatory; reciprocity was being demanded from developing countries whether in terms of trade or non-trade-related issues. The GSP was being used as leverage for preference-giving countries to secure market access and reciprocal concessions from preference-receiving countries. In one particular scheme, during the 1990 annual review for example, one product had been removed from the list of eligible articles with respect to India on so-called intellectual property rights grounds. Such an approach was not in keeping with the international consensus on the underlying principles of the GSP, particularly the principle of non-reciprocity.

86. The objectives and principles of the GSP should form the basis for expansion and further evolution of the GSP to include other market access measures and other areas. In the time leading up to UNCTAD VIII, the preference-giving countries should give some thought to this aspect, so that some progress could be seen.

87. The representative of Japan said that Japan's GSP scheme had been extended for another 10 years until 31 March 2001. In extending the scheme, certain changes had been made.

88. For those items whose ceilings were based on imports from beneficiaries in 1982, the base year for calculations had been changed to 1989. As a special measure for fiscal year 1991, the ceilings on 37 items had been

further raised by either 50 per cent, 30 per cent or 10 per cent. As a result, the total value of ceilings in fiscal year 1991 was expected to reach 1.3 trillion yen, an increase of 35 per cent over the previous year.

89. The GSP was an autonomous instrument for the promotion of exports, industrialization and the development of developing countries. The GSP schemes had been created and implemented taking into account individual economic structures and conditions in both preference-giving and beneficiary countries. This meant that the particular measures implemented under each scheme could vary both in nature and scope, although the objectives of the scheme remained the same. In order to obtain an optimum use of GSP schemes, spontaneous efforts by preference-giving countries to make their schemes simpler and more transparent, as well as efforts by beneficiary countries to strengthen their technical and administrative capacity to utilize the GSP scheme, needed to be further encouraged.

90. With regard to safeguard measures, the Japanese GSP scheme was in principle safeguarded by an escape clause system. However, this system had never been applied.

91. The representative of Ecuador said that the basic purpose of strengthening international trade was to promote economic growth and ensure the development of societies and peoples. While developed countries' exports covered all areas (goods, services, technology, investment), developing countries' exports were mainly concentrated on raw materials and processed or semi-processed commodities. This situation caused developing countries to look carefully at the GSP, as it was a useful instrument for promoting the economic growth of developing countries. It represented, at the same time, a practical illustration of the principle of international cooperation for development. He noted that preferential trade between developed and developing countries had increased by 15.7 per cent per year in the period 1976-1988.

92. Even though the GSP schemes had improved during the years, their positive impact was partially neutralized by the existence of non-tariff measures affecting GSP-covered products. According to document TD/B/C.5/134, in 1989 one-quarter of GSP exports had been subject to NTMs. Ecuador's products were particularly affected by those barriers in two markets.

93. He underlined the value of the positive changes introduced by the EEC in favour of four Andean countries, and expressed the hope that such benefits would be provided on a permanent basis, irrespective of the situation with regard to the drug problem.

94. Finally, giving the GSP schemes broader product coverage and strengthening their stability would help many developing countries in their structural adjustment efforts, now that many of them were in the process of enlarging their export base.

95. The representative of Sri Lanka said that the GSP had become an important instrument of international cooperation; it benefited developing countries

through export expansion and diversification, and it offered indirect returns to the developed countries in the form of enhanced possibilities for exports to beneficiary countries.

96. Although the amount of trade under the GSP was impressive, it covered only half of the preference-giving countries' dutiable imports from beneficiaries, due to the complexity and stringency of the rules of origin and a priori limitations in some schemes. Consequently, in practice, preferential imports accounted for only about 20 per cent of MFN-dutiable imports.

97. GSP benefits were curtailed particularly in regard to those products for which developing countries had succeeded in expanding output and exports and also diversifying their production structures. Market access for these and other products had been affected by the growing resort to non-tariff barriers. Preference-giving countries were urged to exempt the GSP-covered products from NTMs as an immediate measure to help preference-receiving countries.

98. Although some efforts had been made by some preference-giving countries to achieve improvements in the GSP schemes, basic principles of the GSP had been increasingly eroded. The policy of differential treatment seemed to reflect the general concern of preference-giving countries to maintain their existing production structures rather than to give wider access to exports of developing countries.

99. It was important to preserve the advantages of the GSP and to secure its fullest utilization, and the decision taken by Japan to extend its scheme for another 10-year period was welcomed. The GSP was of particular importance to Sri Lanka which was so dependent on exports. Expansion of the product coverage of GSP schemes was perhaps the most important means for improving the system. Utilization rates could also be improved if GSP schemes were to be simplified and harmonized, in particular as regards their rules of origin.

100. The representative of Bulgaria said that his Government had taken decisive steps to establish a market economy, and major structural reforms had been introduced in that connection. The State monopoly on foreign trade had been abolished, and reforms in foreign trade policy included the elimination of all quantitative restrictions on imports and exports. Contracts could be concluded without any preliminary registration or permission, and certificates for the export of goods were requested only in cases where Bulgaria had signed bilateral or multilateral agreements which included fixed quantitative quotas for the import of selected products.

101. To provide some protection for Bulgarian industries, a temporary import tax of 15 per cent had been introduced on a range of commodities, in particular consumer goods. In February 1991, the coverage of export taxes had been reduced on a range of commodities, in particular consumer goods. The foreign trade regime was also being liberalized by phasing-out the State plan agreements with the former CMEA countries. Since the beginning of 1991, trade with the CMEA countries was being effected at world market prices and in convertible currency.

102. As regards the custom tariff, as from 1 January 1991 a new import tariff based on the Harmonized System had been introduced. Although Bulgaria was still an observer in GATT, the tariff rates in the new import tariff had been reduced according to the Swiss formula in the Tokyo Round of Multilateral Trade Negotiations. The provisions of the agreement on the implementation of Article VII of the General Agreement on Tariffs and Trade had also been taken into account.

103. The Customs Tariff was liberal and the preferential scheme had been retained. All products imported from and originating in the LDCs were exempted from duties, and preferential customs treatment was accorded to goods imported from, or originating in, the other developing countries. The preferential treatment consisted of a 50 per cent reduction in the rate of duties applied to goods imported from the developed countries. His country did not now levy any rates of duty higher than those applied to imports of goods originating from countries with which Bulgaria had signed a most-favoured-nation agreement.

104. The Bulgarian customs administration had been completely reorganized. Thirty-one new Customs offices had been opened around the country, and the methods for control of goods, including the form of declaration, were the same as those applied by the Customs administrations of the EEC. Statistical foreign trade data were based on the declarations presented to the customs offices.

105. In conclusion, he expressed his support for the work of UNCTAD in the field of preferences. The GSP was one of the main provisions for global cooperation in the area of trade, and the Special Committee provided an opportunity for the periodical review of the different aspects of the preference system. He expressed his thanks to those organisations and countries which had assisted his authorities in reorganizing the Customs tariff and administration.

106. The representative of Finland said that his country had decided in principle to continue its GSP scheme for 10 more years and also to enlarge its coverage for the benefit of the LDC countries by granting duty-free entry to all their products imported into Finland. However, Finland might exclude a few agricultural products, mainly fodder raw materials, in connection with its plans to reduce its agricultural overproduction. In addition, some ready-made garments would receive up to 50 per cent reduction in the MFN rates of duty rather than totally duty-free entry. Finland also planned to cut the present negative list of its GSP scheme to the advantage of most other beneficiary countries. When reformulating the GSP scheme, Finland would further consider the issue of differentiation on a country/product basis. For example, when a 50 per cent share of total GSP imports of a particular product was coming from one country alone, the GSP advantage for that product from that country could be reduced by applying 50 per cent of the normal rate of duty, since the product in question would be considered to be already competitive under normal terms of trade.

107. Concerning NTMs, Finland was, in principle, ready to gradually abolish all MFA-based import restrictions on textiles. However, it was not considering dropping the certificate of origin requirement for GSP products, and it reserved the right to use safeguards in cases of serious market disturbances resulting from GSP importation.

108. Finland had added Albania, Aruba and Namibia to the list of GSP beneficiary countries, and Liberia would be given LDC status. It had also enlarged the product coverage of its GSP scheme by adding some tropical fruits and flowers to the list of GSP-eligible products. The present GSP scheme was valid until the end of 1991.

109. The representative of Canada said that, since the introduction of the Canadian GSP scheme, there had been a number of improvements in terms of product coverage, margins of preference and liberalization of the rules of origin. Canada remained committed to the overall objectives of the GSP, including the expansion and diversification of exports from developing countries and increased access for these exports in the Canadian market. A comprehensive review of the Canadian scheme was to take place after the conclusion of the Uruguay Round and before the expiry of the scheme in June 1994. This revision would comprise all aspects of the Canadian scheme.

110. Document UNCTAD/ITP/55 suggested that the majority of Canadian GSP-eligible imports in 1986 had been subject to non-tariff measures, but this was incorrect. The problem was not related to the Canadian scheme but to the methodology which had been used and the interpretation of the findings. The high GSP utilization rate in Canada, averaging 75 per cent since 1984, supported the view that NTMs had not had a significant constraining effect on GSP imports. Further, the trade coverage ratio, based on the three-category definition of NTMs employed in the study, was misleading in that it indicated only the extent of NTM application rather than the actual trade-constraining effect of the NTMs. With respect to the definition of NTMs, the inclusion of anti-dumping and countervailing duties, as part of both definitions of NTMs, could not be accepted. These measures were taken against unfairly traded goods which were causing material injury to domestic producers and which, by logical extension, fell outside the scope of any preferential régime. Similarly, the inclusion of automatic licensing, in both definitions of NTMs, was unacceptable given that, by their definition, automatic licences were freely granted and, as such, had an insignificant effect on trade flows. With regard to other NTMs, although Canada's import legislation did in fact provide for the imposition of tariff rate quotas (TRQ) on specific products covered under the Canadian GSP scheme, Canada had never used the TRQ mechanism. While preference-receiving countries might like to see product coverage improvements in the Canadian scheme, the present coverage was adequate and provided secure access to Canadian markets. Moreover, non-tariff measures in Canada were not applied generally to all preference-receiving countries, as suggested in the UNCTAD document, but to specific beneficiary countries which, in many cases, had already been graduated from the GSP schemes of other preference-giving countries. If these beneficiary countries were eliminated from the Canadian scheme, not only would the NTM ratio seem

more favourable, but a more accurate comparison could be made with NTMs applied by other preference-giving countries. The differences in product coverage also affected the validity of any comparison between these countries. The secretariat report said that many Canadian NTMs were in sectors of particular importance to developing countries (e.g. textiles and clothing). The existence of quantitative restrictions in Canada for these products was not an accurate reflection of the effect on trade, since the MFA quota utilization rates for Canada had been generally low (i.e. averaging 66 per cent). Canada supported efforts being made within the NTM negotiations to phase-out existing MFA and other restrictions, with a view to returning these sectors to GATT jurisdiction and disciplines. Having regard to these points, the conclusion was that, while the study on the impact of NTMs on imports of GSP products could have provided interesting data, the definitions used were incorrect and the interpretation of ratios misleading.

111. The Canadian safeguard mechanism had been accurately described in document TD/B/C.5/134, and Canadian safeguard measures were based on an open and transparent process. Since 1980, less than 30 petitions had been submitted to the Canadian International Trade Tribunal with regard to GSP-covered products, and the Government had withdrawn the benefits of GSP in only one-third of the cases. In cases where the GSP rate had been withdrawn, the duration of the suspension had not exceeded three years, and the matter had then been reviewed by the International Trade Tribunal. The temporary withdrawal of GSP benefits on Spandex filament yarn had been allowed to expire at the end of November 1990, when the GSP rate had been re-instituted. Similarly, his authorities had announced that GSP rates of duty on scissors and shears originating in Brazil would be reinstated on 30 June 1991. The only renewal of a GSP safeguard action was in respect of certain types of inner-tubes produced in the Republic of Korea. The withdrawal order had been renewed to coincide with the expiry date of the GSP scheme in 1994.

112. Finally, Canada favoured substantial reduction of tariff and non-tariff barriers. A global, substantial and balanced Uruguay Round outcome would ensure that trade and investment channels would be kept open, leading to greater market access and improved prospects of economic growth for all countries. During the upcoming review of the Canadian GSP, the Canadian authorities would ensure that it continued to provide those developing countries most in need with the competitive advantage that was required to facilitate their industrialization and economic self-sufficiency.

113. The representative of Poland said that, as from 15 January 1991, Poland had introduced an adjusted and modified GSP scheme, which allowed for extended market access for developing countries which were less developed than Poland, while those which were more developed were moved to the list of countries eligible for MFN treatment. This dynamic GSP concept strengthened the competitiveness of less developed developing countries over their direct competitors, which were more developed developing countries.

114. The general margin of preferences in the Polish GSP scheme had been established at the level of 0.3. This meant that the tariff rates on imports from eligible developing countries and regions would be 30 per cent lower than the base MFN rates.

115. The list of GSP receiving countries had been established, with the combined geographical and income criteria being taken into account. Generally, only the non-European developing countries and regions where per capita GDP did not exceed the corresponding indicator for Poland were eligible. An additional list of 17 countries and regions was also being established to benefit from MFN treatment on exports to Poland. The list consisted of countries which were de facto parties to the GATT, as well as developing countries and regions granting Polish exports MFN treatment and not receiving GSP treatment. It also included the CMEA countries not parties to the GATT.

116. The preferential zero rates of duty for commodities originating from the LDCs would remain unchanged. The list of LDCs would be further updated in line with the decisions taken by the United Nations. The preferential zero duty rates for tropical products originating from GSP-eligible developing countries would also be maintained. The existing principles and methods used in drawing up and utilizing certificates of origin would continue to be observed.

117. The recent amendments to the GSP scheme reflected the firm commitment of Poland to the generally accepted principles and disciplines regulating international trade relations, as set out in the GATT, and a strong desire to further develop mutually beneficial economic relations with all countries and with the developing countries in particular. All details concerning the latest changes in the Polish GSP scheme were published in document TD/B/GSP/POLAND/5 of 28 February 1991.

118. The representative of Nigeria said that the GSP had undergone improvements in many preference-giving countries in terms of product and country coverage since the last session of the Committee.

119. Despite this, a number of problems persisted, for example, low utilization of the schemes, particularly in Africa and the least developed countries. Non-tariff measures applied by preference-giving countries were contrary to the objectives of the GSP, and his delegation supported the call for preference-giving countries to reduce the incidence of non-tariff measures, which tended to reduce or eliminate the preferential margins.

120. He also requested preference-giving countries to make improvements to their various schemes through wider product coverage, particularly in regard to agricultural products. The industrialized countries should extend their schemes for another period of 10 years. Finally, his country had been excluded from the GSP by some preference-giving countries on non-economic grounds, a practice for which there was no valid justification.

121. The representative of the United States of America stated that his country continued to be solidly committed to promoting the economic development of beneficiary developing countries, and he viewed the United States preferential tariff scheme as an integral component of United States trade and development policies.

122. The United States programme was responsive to the legitimate economic needs of developing countries, while reflecting recognition of the important changes that had occurred in the United States economy and the global economy. The opportunites provided by the United States GSP programme had made an important contribution to beneficiary countries' efforts to accelerate economic growth and industrialization.

123. GSP imports had increased from $10 billion in 1989 to $11.1 billion in 1990, an 11 per cent increase. These amounts were below the level of 1988 GSP imports, reflecting the 1 January 1989 graduation of the most competitive beneficiaries. The graduation of these beneficiaries was a logical evolution, resulting from the differentiated levels of development of developing countries.

124. Graduation of these highly competitive beneficiaries had increased opportunities for other beneficiaries. The graduation of the most competitive suppliers, which were receiving a disproportionate share of programme benefits, had allowed the United States the opportunity to reconsider and change its policy of denying redesignation to the products of newly industrializing economies (NIEs). This policy had originally been adopted to avoid a further skewing of programme benefits to a few highly competitive beneficiaries. In 1990 and 1991 the United States had redesignated or reinstated duty-free eligibility to $2 billion of beneficiary country trade. The United States had also significantly expanded the product coverage of the programme. In 1990 and 1991, his country had added 149 new products to the programme, and imports of these products from beneficiary countries were valued at nearly $500 million.

125. During the past year, other important changes had been made in the GSP programme. They included the designation of Namibia and Czechoslovakia as beneficiaries and the reinstatement of beneficiary country status to Chile, Paraguay, the Central African Republic and Bahrain.

126. The United States administered its GSP programme through an annual review process. This was an open, predictable and fully transparent process that allowed beneficiary countries and private sector interests to participate in the United States Government's decision-making process. The annual review expanded GSP coverage, served as a mechanism for safeguard actions and otherwise modified the programme to meet the United States statutory requirements. Decisions resulting from the 1990 GSP annual review, which would become effective on 1 July 1991, would expand GSP benefits by nearly $640 million and continue GSP benefits on another $402 million by providing de minimis waivers for products with United States imports below $10.9 million.

127. In 1990, beneficiary country utilization of the programme had remained high, at 71 per cent, but had declined slightly from 1989. A major factor in improving beneficiary country utilization of the GSP programme was the dissemination of information. The United States intended to continue its efforts in this regard and urged beneficiary country Governments to increase their efforts to enable beneficiary exporters to take advantage of the programme.

128. Last year his country had indicated that United States thinking on GSP renewal would properly reflect an assessment of the outcome of the Uruguay Round of Multilateral Trade Negotiations. The United States expected that its Congress would shortly grant the authority for continued United States participation in these negotiations. Accordingly, his country was not in a position to make a commitment on renewal of GSP at this time. His Government would be exploring this issue in further detail next year.

129. The Uruguay Round offered a key opportunity for achieving greater integration of developing countries into the trading system. Bound and lasting tariff concessions could be negotiated in the Uruguay Round, providing more reliable access to developed countries' markets than the GSP, which by definition was temporary. The Uruguay Round was also the appropriate forum to address non-tariff trade measure issues of concern to a number of beneficiary developing countries.

130. The process of economic maturation presumed that developing countries would continually strive to achieve full integration into the international trading system. The effective assumption of these international obligations was consistent with the purpose of the GSP and advanced efforts to appropriately address the legitimate developmental, commercial and financial needs of developing countries.

131. The United States believed that certain elements of differentiation must be viewed as permanent, integral components of autonomous GSP schemes. Tariff preferences were temporary in nature. They were designed to assist beneficiary countries in their efforts to establish a viable position for their products in developed country markets. However, when a country reached an appropriate level of economic development and trade competitiveness, it no longer needed the GSP to compete effectively in the United States. Further, when a country was able to supply 50 per cent or more of import demand for a particular product or could export almost $US 93 million annually of that product to the United States, it was an indication that the country in question was competitive in the specific product and no longer needed the GSP to compete effectively. Accordingly, the product would be graduated from eligibility under the United States programme. These graduation standards did not and would not apply to the least developed countries, which were the countries most in need of preferential tariff treatment.

132. The representative of Indonesia said that the GSP had played a positive role in the development of many beneficiary countries. It was therefore important that the GSP be continued through the 1990s, with further improvements in many areas.

133. However, the objectives of the GSP were still far from being realized. While it might be unrealistic to expect the full implementation of all the basic principles of the system, beneficiary countries wanted any deviations to be kept to a minimum. Non-tariff measures and diverse and complex rules of origin had both discouraged the utilization of the system.

134. He believed that the Uruguay Round negotiations were capable of consolidating and strengthening the GSP. In addition, UNCTAD VIII should

provide a forum where new methods of providing preferential treatment for developing countries might be evolved and thus improve access to developed countries' markets.

135. The representative of Peru said that the GSP retained its relevance, as could be seen from the large volume of trade channelled through the various schemes. However, such trade could be increased substantially, since it accounted for less than 20 per cent of GSP-eligible trade between preference-giving and preference-receiving countries. This low rate of utilization was the direct result of the many NTMs which the preference-giving countries applied, measures which were contrary to the principles and objectives of the GSP. The preference-giving countries should exempt preference-receiving countries from all NTMs and thus make a major contribution to trade interdependence.

136. Despite the broad process of trade liberalization currently being negotiated, the GSP continued to be necessary in the medium term because of inequities in the trading system. The GSP schemes should therefore be renewed, and Japan was to be congratulated in this respect. Other countries were encouraged to extend their schemes and to expand their coverage. In this connection, his country thanked the EEC for its decision to extend preferences to Andean countries facing drug problems. This was an important step forward in dealing with the social and economic imbalances created by the drug problem.

137. His country regretted that it had been excluded from one scheme as a result of shortcomings in the United Nations statistical system. While it accepted, for the scheme in question, that preferences would be granted only to countries with a per capita GDP lower than that of the preference-giving country, prior consultations should be held to correct any errors before a decision was taken.

138. Finally, it appeared that the basic principles of the GSP were being reinterpreted by many preference-giving countries. That was unfortunate, and any new interpretation of these principles, if necessary, should be reached on the basis of a negotiated consensus ensuring the predictability, efficiency and flexibility of the system.

139. The representative of Côte d'Ivoire said that the GSP had contributed to the expansion of North-South trade flows, and it was therefore hoped that the preference-giving countries would continue to improve their schemes. It must be said, however, that the GSP suffered from a number of shortcomings. The obstacles which hindered the functioning of many GSP schemes were primarily safeguard measures, a priori limitations on preferential imports, limited product coverage and non-tariff measures. These obstacles were attributable primarily to the unilateral nature of the GSP, which meant that beneficiary countries were not consulted on the schemes and had no effective means of recourse when problems arose. To deal with these problems, the schemes should be extended to cover a wider range of products of interest to developing countries, a priori limitations on preferential imports should be reduced or eliminated, and safeguard measures should be used more sparingly and on an exceptional basis.

140. The representative of the Sudan said that his country reaffirmed its commitment to the GSP, which had an important role to play in promoting trade and contributing to the development of developing countries. However, there remained many obstacles preventing the developing countries from deriving full benefit from the GSP. The developing countries' potential in terms of manufactured goods was weak, and they relied heavily on commodities. In addition, many products of export interest to developing countries, and particularly agricultural products, were still excluded from certain schemes.

141. Measures should therefore be taken to improve the GSP in the interests of developing countries. Particular attention should in future be paid to developing countries' commodity exports; the LDCs should be helped to expand and diversify their exports, and their access to developed country markets should be enhanced; and there should be a broadening of the schemes' product coverage, along with a liberalization of the rules of origin.

142. The representative of Cuba said that his country attached great importance to the GSP as a mechanism to improve access to the markets of preference-giving countries. Some improvements had been made to the system, but generally speaking they were very limited. Exclusion of developing countries from some schemes still existed, as was the case of Cuba which was excluded from one scheme for political reasons. Other non-trade-related arguments had also been used to exclude countries or products, for example workers' rights and intellectual property.

143. As far as product coverage was concerned, even though some schemes had extended their product coverage, the inclusion of these new products did not meet the expectations of developing countries. Furthermore, a priori limitations continued to be applied without prior consultations to products of export interest to the developing countries. Because of this and other factors, the objectives of the GSP had not been fully attained.

144. The question of NTMs was of great importance, and the impact of such measures should be examined by the Committee. As shown by the UNCTAD secretariat, GSP-eligible products faced a wide range of NTMs in the markets of preference-giving countries.

145. With regard to UNCTAD VIII, it was important to provide the Conference with the elements necessary to enable it to develop the system and to provide and maintain preferential treatment for developing countries in terms of market access in order to help those countries expand their exports and repay their debts.

146. Finally, Japan and the EEC were to be congratulated for their decision to extend their schemes.

147. The representative of Romania said that the pace of economic reform and the advancement of democracy in large areas of the world had created the need for a new approach to global problems.

148. The GSP had undeniably played a significant role in the expansion of world trade because it helped the beneficiary countries to develop and

diversify their exports, particularly those of industrial products, thus contributing to the industrialization of their economies. Since the last comprehensive review, many preference-giving countries had improved their schemes in terms of product coverage, new beneficiaries, removal of some discriminatory measures and more flexible application of some quantitative restrictions. In that connection, the decision of the Japanese authorities to extend its GSP scheme for another 10 years was welcome. However, a number of restrictive provisions still persisted under certain schemes, the most important being the exclusion of certain products of export interest to the developing countries, a priori limitations and exclusions of certain countries and products, sometimes for political reasons, and in certain cases the strict rules of origin. These problems should be addressed, and ways should be sought to enhance the effectiveness of the schemes.

149. In the case of Romania, the GSP had acquired increased importance as the country was engaged in an all-out process of democratization, privatization and liberalization. In implementing its government programme of transition to a market economy, the country was confronted basically with two types of difficulties, namely those due to the extremely critical economic situation inherited from the communist dictatorship, and those entailed by the contradictions and costs generated by transition itself, to which had to be added the usual difficulties of developing countries. It therefore needed international assistance, and in this connection it thanked the EEC Commission for extending the preferential treatment granted to Romania.

150. Document TD/B/C.5/134 listed Romania among the major beneficiaries most affected by non-tariff measures on imports of GSP-covered products under the schemes of three countries. Eliminating such measures would certainly increase the rate of utilization of the GSP.

151. The representative of Thailand said the GSP was a meaningful instrument for expanding exports to preference-giving countries. Thailand had benefited substantially, exports having increased from $US 4.8 million to about $US 4.4 billion over the last two decades. However, restrictive measures imposed by some preference-giving countries, such as low ceilings, quotas and graduation or withdrawal of benefits from certain products, had prevented Thailand from obtaining full benefits from the GSP. Those preference-giving countries which employed restrictive measures should comply with the multilaterally agreed principles relating to the generalized, non-discriminatory and non-reciprocal nature of GSP.

152. At the Special Committee's 170th plenary meeting, on 15 May 1991, the spokesman for the Group of 77 (India) introduced draft resolution TD/B/C.5/L.74, relating to agenda items 3, 4 and 5. She also emphasized that it was important for the Special Committee to send a positive political signal to UNCTAD VIII in the matter of giving preferential market access to developing countries. It was important to have a constructive and substantive outcome from the current session of the Special Committee, because it was the last session before UNCTAD VIII and because the outcome of the Committee's work would serve as an input for the review process under way in many countries.

## Chapter II

## CONSULTATIONS ON HARMONIZATION AND IMPROVEMENT OF THE RULES OF ORIGIN

(Agenda item 4)

153. For its consideration of this item, the Special Committee had before it the following documentation:

"Technical modification of the notes of certificate of origin forms A and APR: report by the UNCTAD secretariat" (TD/B/C.5/137).

154. The Director and Coordinator of the International Trade Programmes, introducing document TD/B/C.5/137, said that the technical changes to certificates of origin suggested by the secretariat were in response to alterations in the names of several Eastern European countries and the universal application of the HS System by all preference-giving countries. Should these changes be approved by the Committee, new forms could be introduced as from 1 January 1991.

155. The representative of China said that the generalized system of preferences, as a trade policy, was a feasible instrument for the establishment of equal trading relations between developed and developing countries. Nevertheless, the implementation of the GSP, to date, was still far from meeting its expected objectives, since the role it played in enhancing the economic growth and the industrialization of developing countries, albeit positive, remained limited. One of the main reasons was that the rules of origin of certain preference-giving countries were overly strict, thus creating difficulties for, or even preventing, some of the important exports of developing countries from entering the markets of developed countries. For example, the processing criteria in the rules of origin of some preference-giving countries provided that the manufacture of garments with import materials should start from imported yarn, and the same principle was applied for the manufacture of the accessories and fabrics used for the zippers and labels of garments. Imported transistors were not to be used for the manufacture of television sets; imported spare parts were not allowed for the manufacture of bicycles, etc. Nowadays, with the increasing globalization of the world economy and the international standardization of commodities, any goods from any country could embody imported parts. In fact, certain import contents were used by preference-receiving countries at the request of businessmen from preference-giving countries. Her country believed that the appropriate use of some import contents should not impede, but should to a certain extent help to promote, the progress of industrialization and domestic economic development. This was in line with the objectives of the GSP. Rules of origin should play an active catalytic role, instead of limiting the export trade of developing countries. It was her country's sincere hope that those preference-giving countries concerned would promptly rectify the undesirable elements in their rules of origin in a positive manner.

156. As to the percentage criterion of the rules of origin, i.e. the ratio between the value of import content and the ex-factory price of the export products, it would be reasonable if the former was smaller than or equal

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156. As to the percentage criterion of the rules of origin, i.e. the ratio between the value of import content and the ex-factory price of the export products, it would be reasonable if the former was smaller than or equal

to 50 per cent. All preference-giving countries should uniformly adopt this criterion and no other additional special limits should be elaborated, so as to contribute to the harmonization, unification, simplification and relaxation of the rules of origin.

157. She noted that the regulations on "preference-giving country content" and "global cumulation" contained in the rules of origin of some preference-giving countries were conducive to economic and trade cooperation among developing countries and between developing and developed countries. Regrettably, however, most preference-giving countries had yet to realize the importance of the regulations and had not adopted or implemented them. Some others, though having put them into practice, had excluded many products from them. She hoped that this tendency would be reversed as soon as possible.

158. In spite of some improvements made by the preference-giving countries on the rules of origin during the past 20 years, the substantive changes, on the whole, had been limited and slow. The rules of origin had had a tendency to become even more strict. China strongly hoped that preference-giving countries would greatly improve their respective rules of origin and eradicate all restrictions so as to benefit both the developing countries and themselves.

159. The spokesman for the Group of 77 (India) said it was widely recognized that the diverse and complicated GSP rules of origin would have to be harmonized and simplified. The universal application of the Harmonized Commodity Description and Coding System (Harmonized System) by all preference-giving countries now made it easier to adopt a uniform approach for determining substantial transformation by using the process criterion. At the same time, those 14 preference-giving countries using the percentage criterion could adopt a uniform maximum percentage of foreign inputs allowable for a beneficiary to be eligible for GSP status. There was considerable scope for simplifying and harmonizing documentary evidence requirements, which at present tended to discourage exporters and importers trying to use the GSP system. Liberalization of the rules of origin through the inclusion of regional and subregional cumulation and of full and global cumulation complemented by cumulation measures to include contents originating in the preference-giving country would improve utilization of the system by beneficiary countries. It would also spur export-oriented investment in these countries and stimulate South-South trade and economic cooperation. The liberalization of the rules of origin was particularly important for the least developed countries.

160. Since the introduction of the GSP, the Special Committee on Preferences had responsibility for determining the technical aspects of the rules of origin including documentary evidence. In this connection, the Group of 77 supported approval by the Committee of the changes proposed in document TD/B/C.5/137 so that those changes could take legal effect from 1 January 1992.

161. The representative of Austria expressed his agreement with the proposals in document TD/B/C.5/137 concerning technical modifications to the notes on certificates of origin Form A and the origin declaration Form APR. However,

he drew attention to the proposal concerning the insertion of the letter "W" in Box 8 followed by the HS heading of the exported product, as indicated in annex I, note III.b (3). While the HS was composed of six-digit figures, the indication on certificates of origin of the first four digits was sufficient. Although the proposed amendment to note III.b (3) showed an example of a four-digit heading, it might be preferable to make the matter crystal clear. For example, a reference to "four-digit" might be inserted before the word "heading" in the proposed new note III.b (3). The same amendment should be made to Form APR. While agreeing that the changes would take effect as from January 1992, he suggested that new forms in the 1992 version could be printed in the course of 1991. Further, since his country would have to change the law to take account of these amendments, it would be preferable for the Special Committee to take a formal decision, as had been done on previous occasions.

162. The representative of India said that particular importance was attached to the donor country content concept, which should be included as part of renewed schemes.

163. The representative of Norway said that her authorities did not foresee any important modifications in their rules of origin. However, the EFTA preference-giving countries had recently decided to offer cumulation to SADCC countries.

164. The representative of Japan said that, with regard to the technical changes to the notes on the back of the certificate of origin Forms A and APR, proposed in the UNCTAD document TD/B/C.5/137, his authorities agreed to those changes.

165. The representative of the USSR said that his country recognized that the GSP rules of origin should be harmonized and simplified; only if this were done would the rules properly promote development of international trade instead of being an additional trade barrier. The Customs Tariff Law of the USSR, which would be valid from 1 July 1991, stipulated criteria for determination of country of origin in the light of international practice in this field. According to this Law, a country of origin was defined as a country where the goods were wholly produced or had undergone sufficient processing. Wholly produced goods in a given country included in particular those manufactured from the natural resources, plant and animal products, and seafood of that country. In order to determine whether the processing was sufficient, one of three well-known international criteria could be used: (a) where a finished product was classified in a tariff position different from that of products from third countries which had been used in manufacture of the finished goods for export; (b) where the value of the products in third countries used in manufacture did not exceed a prescribed figure; and (c) where certain prescribed technological processing operations had been undergone during the manufacture of goods for export.

166. Detailed rules of origin were being devised on the basis of the above Law. There was a proposal, for example, that the goods were to be regarded as having undergone sufficient processing (by reference to a percentage criteria) if the value of products imported from third countries was less than or equal to 50 per cent. Whilst elaborating draft rules, some provisions of the Kyoto

Convention on Simplification and Harmonization of Customs Procedures (1973) had been taken into account. The Soviet Union intended to join this Convention.

167. The representative of Canada said that Canada had issued a revised version of its Administrative Guidelines on the Canadian GSP. The new Customs memorandum provided additional clarification regarding, for example, completion of Form A and a description of what might be counted as qualifying content. As regards the notes printed on the back of Form A, the Canadian Customs had noticed some confusion on the part of traders and certifying authorities regarding the origin symbols to be used for goods exported to Canada. The correct symbols were: "P" when 100 per cent of the ex-factory price originated in the certifying country; "F" when the minimum content requirement had been satisfied in the certifying country alone; and "G" when the minimum content requirement had been satisfied with inputs from two or more preference-receiving countries. Many traders had thought that the notes for Canada meant that "G" was only used for LDCs. The Canadian authorities proposed that the words "more than one eligible least developed country" in the Canadian notes be replaced with "two or more beneficiary countries".

168. The representative of Nigeria said there was a need for relaxation of the severity of the rules of origin criteria and for harmonization of all the different schemes. The rules of origin criteria as regards cumulation should take account of all the regional and subregional economic groupings among developing countries, including ECOWAS. This would promote interregional trade.

169. The representative of Indonesia said that progress in the harmonization, simplification and liberalization of rules of origin should be regarded as a form of compensation for the erosion of GSP margins of preferences. The adoption of a harmonized and simplified system of rules of origin, the introduction of full and global cumulation and "donor country content" facilities would greatly facilitate the utilization of the GSP by beneficiary countries. It would also help in the integration of their economies into the world trading system.

170. The representative of Peru said that rules of origin should be liberalized by means of cumulation measures, initially at the level of developing countries' integration schemes and eventually at the level of global cumulation. This would promote cooperation and complementarity between developing countries. The concept of "donor country content" should be applied by all preference-giving countries so as to improve economic and commercial relations between preference-giving and receiving countries and to promote foreign direct investment.

## Chapter III

## TECHNICAL ASSISTANCE IN CONNECTION WITH THE GENERALIZED SYSTEM OF PREFERENCES

(Agenda item 5)

171. For its consideration of this item, the Special Committee had before it the following documentation:

"Technical cooperation in connection with the generalized system of preferences: report by the UNCTAD secretariat" (TD/B/C.5/135);

"Evaluation of technical cooperation activities relating to the generalized system of preferences and other trade laws: report by the UNCTAD secretariat" (TD/B/C.5/136).

172. The Director and Coordinator of the International Trade Programmes, introducing the two reports prepared by the secretariat, said that document TD/B/C.5/135 revealed the increased demand for technical assistance and examined the financial viability of the Geneva-based programme. Document TD/B/C.5/136 reviewed the technical cooperation activities undertaken during 1985-1990 and presented conclusions and recommendations for the future of the Technical Cooperation Programme.

173. The Chief of the Programme Co-ordination and Evaluation Unit, referring to document TD/B/C.5/136, said that the report summarized the results of an independent evaluation carried out by the Programme Co-ordination and Evaluation Unit of UNCTAD. It focused on the technical cooperation activities undertaken during the period 1985-1990. External inputs used in undertaking the evaluation included a report of a UNDP-led evaluation of the African regional project completed in 1990 and a UNDP-led thematic evaluation of the activities covering the period 1972-1984. By reflecting on the results of the thematic evaluation, which were summarized in document TD/B/C.5/136, it was possible to see to what extent the lessons learned from that evaluation had been used for subsequent project design and implementation.

174. The UNCTAD programme of technical assistance on the GSP and other trade laws had proved its worth as a useful, practical and necessary instrument for assisting developing countries in increasing and diversifying their non-traditional exports. This positive assessment, shared by both preference-giving and preference-receiving countries, was reflected in the substantial support both in cash and in kind provided by them to the programme during the period 1985-1990 (61 per cent of the total resources of $4.5 million for the period, up from 35 per cent of the total resources of $4.25 million during the 1972-1984 period). The programme had contributed to the improvement of knowledge, skills and national institutional capacity for the effective use and administration of the GSP. Several of the more advanced developing countries had achieved self-reliance in the field. While it was difficult to establish a causal or direct link between such improvements and increased GSP exports, experts from preference-giving countries had acknowledged that there was evidence of the programme's activities leading to

increased GSP exports. The Asia and Pacific region, which had benefited from a regional project since 1979, in addition to the activities of the interregional project based in Geneva, had achieved a higher overall utilization of the three major schemes (EEC, United States, Japan) than the other two developing regions.

175. Notwithstanding the recognized popularity and achievements of the programme, a number of shortcomings had been observed, including in particular insufficient adaptation of the activities of the programme to the specific needs and situation of the countries in Africa; uneven progress achieved in the strengthening of GSP national focal points; and insufficient development of "second or third generation" activities adapted to the evolving and various needs of different categories of preference-receiving countries.

176. The major recommendations in the secretariat's report were intended to strengthen the practical nature of the activities of the programme and their interaction with the business sector, in particular to encourage the shift from general presentations of the GSP schemes to product-specific and scheme-specific discussions and problem-solving, with the aid of a computerized consolidated information system on the GSP and taking into account, inter alia, comparative rates of preferences under different preferential arrangements.

177. There was also a need to develop activities which could be tailor-made to particular needs of individual preference-receiving countries. For example, for African countries, additional course material might be included dealing with the identification of non-traditional product lines which might benefit from the GSP and of appropriate industrial options (in cooperation with UNIDO), as well as the formulation of policy for trade development and export promotion (in cooperation with ITC). Efforts should also be made to strengthen the institutional capacity for the administration of the GSP on a self-sustaining basis. The programme should be ready to provide assistance to developing countries and preference-giving and preference-receiving countries in Eastern Europe for the development of their cooperation in making full use of the GSP.

178. He suggested that the programme should be further assessed towards the end of the next three-year period in the light of major developments which would have a bearing on the GSP, e.g. the outcome of the Uruguay Round, in order to evaluate the effectiveness and results of the programme in relation to the objectives and costs, with particular reference to the achievement of self-reliance, and to make recommendations, among other things with regard to its relationship with other related programmes of technical cooperation in UNCTAD. Meanwhile, the specificity of the programme should be retained in view of the new instruments and modalities that were needed to enhance the utilization of the GSP, as well as of the practical problems and particular complexities of the GSP that needed to be addressed.

179. He pointed out that one of China's annual contributions of $10,000 was not included in the relevant tables of documents TD/B/C.5/135 and TD/B/C.5/136 and that this contribution would be reflected in the annual report on technical assistance on the GSP for 1991.

180. The spokesman for the Group of 77 (India) said that the UNCTAD Technical Co-operation Programme relating to the GSP had an important role to play in enhancing both the understanding and awareness of the 16 schemes in all their diversity and complexity, as well as in providing practical inputs for improvements in these schemes. It was clear from the reports before the Committee that the demand for technical assistance on the GSP was high, that the delivery of technical cooperation activities on the GSP and other trade laws had remained high in 1990 though not as high as in 1989 due to financial constraints, and that there were as many as 51 outstanding requests for training and advisory activities from beneficiary countries.

181. The Group of 77 was grateful to UNDP and to those countries which had provided contributions for trust funds, bilateral contributions and in-kind contributions. These funds needed to be augmented to meet the demands from developing countries for technical assistance. In keeping with the principle of focusing on developing country needs for technical assistance in UNCTAD, the Group of 77 expected that priority would be given to meeting the unmet demands of developing countries in this regard.

182. It was gratifying to note that the report on evaluation found that there was wide and general agreement among preference-giving and preference-receiving countries regarding the practical value and necessity of the programme of technical cooperation activities. The evaluation also pointed to the effectiveness and importance of national projects, without ignoring the importance of regional projects. The major recommendations were acceptable, especially as to the maintenance of the GSP focus together with the consideration of other trade laws and regulations affecting GSP exports. The addition to the course material, according to the needs of the targeted audiences, of other appropriate modules dealing with the identification of non-traditional products, laws relative to the areas of coverage of the GSP in which investments might be profitable, industrial options to be considered, and the possibilities of using GSP cumulation on a regional or subregional basis was also important.

183. The Group of 77 was pleased that a GSP computerized information system was in the making. In this regard, an appeal was made to preference-giving countries to provide sufficient funds for the completion of the system, its software, programming and means of providing necessary hardware to the focal points of preference-receiving countries.

184. The spokesman for Group B (Greece) said that his Group was of the view that technical cooperation as regards the GSP had been very substantial. During 1990, contributions from a number of Group B countries and an equivalent amount provided by UNDP had totaled one million dollars. This had provided for an impressive level of GSP technical cooperation activities, and the number of participants who had received training in national and regional seminars had exceeded 1,000 for the third time since 1984. According to the UNCTAD secretariat, greater demands for training in the utilization of the GSP were expected.

185. The representative of Switzerland expressed his country's appreciation for the technical cooperation activities carried out by the UNCTAD secretariat

and said that Switzerland had contributed to the 1990/1991 effort by a grant of $US 170,000. This had been used to finance a GSP regional seminar for the ANDEAN countries, a GSP regional seminar for the French-speaking countries of Africa and support the interregional GSP project.

186. The representative of Sweden said that her Government attached great importance to technical assistance relating to the GSP. There seemed to be continuing demand from the developing countries for information about the opportunities offered by the system.

187. Sweden had contributed financially to the general trust fund for a number of years. The annual contribution had amounted to $US 40,000, and the same amount would be granted for 1991.

188. Sweden had furthermore provided experts for GSP seminars on numerous occasions and had supported specific activities, including the financing of a number of seminars. It would continue to support such activities, including at least three projects during 1991. She noted that the projects had been geographically well distributed.

189. A booklet on Sweden's GSP scheme was available at Swedish embassies abroad, which would be useful for the developing countries. A further booklet, published by the Swedish Import Promotion Office for Products from Developing Countries (IMPOD), "Exporters' Guide to Sweden", could be ordered from IMPOD or from Swedish embassies.

190. The representative of Norway said that over the years, Norway had contributed substantially to the GSP Technical Cooperation Programme. In 1990, a contribution of more than $US 23,000 had facilitated the organization of different national and regional seminars, as well as activities of the Geneva-based Programme itself. Her delegation noted the increased popularity of the Programme, as well as its rationale of helping developing countries, in particular the least developed among them, to make better use of the opportunities provided by the GSP. A follow-up to the evaluation exercise was needed, while the practical and autonomous character of the Programme should be maintained. It might, however, be necessary to review the Programme at a later stage in the light of important changes taking place in the global economy. The establishment of a computerized consolidated information system on the GSP would increase the effectiveness and practical application of the Programme's activities. Arrangements for financing of such a system must, however, be clarified. With the need for differentiation of the activities of the Programme according to the various needs of different categories of developing countries, enhanced emphasis on nationally based activities seemed to be appropriate.

191. The representative of Austria said that his Government had given active support to GSP technical assistance activities, and it was the intention to continue this support within certain financial and administrative possibilities, either by providing experts as in-kind contributions or by financial contributions of a general or specific nature. Two experts had participated in a national seminar for China held in Guangzhou in January 1991, and funds had been made available to assist in the establishment of a computerized consolidated information system on the GSP.

192. With regard to the evaluation of technical cooperation activities under the GSP project, he shared the view of the practical value and necessity of technical cooperation activities in helping the preference-receiving countries to make more effective use of the GSP schemes. The continued need for activities of that kind stemmed, inter alia, from the constantly changing nature of the various national GSP schemes and from the obvious effects of job rotation in developing countries. As regards the recommendations in paragraph 4 of document TD/B/C.5/136, while many were acceptable, the idea of convening interregional seminars to consider major policy issues immediately prior to sessions of the Special Committee seemed somewhat dubious. It might not be possible for policy representatives of preference-receiving countries to attend both seminars and Special Committee meetings. Moreover, seminar participants often also comprised exporters, and whilst political conclusions might sometimes be referred to in seminars, these matters were essentially for the Committee.

193. With respect to paragraphs 4 (ix) and 72 of document TD/B/C.5/136, the question arose as to the intentions of the former Eastern European preference-giving countries concerning the future development of the rules of origin under their national schemes, e.g. as to whether the multilateral treaty concluded among these countries some years before remained valid.

194. As to paragraph 34, it was correctly stated that no cost-benefit analysis of these activities was feasible. Paragraph 37 (c), however, seemed to be in contradiction with this statement in its reference to "quantifiable progress". Paragraph 35 (first subparagraph) recommended that a broader trade policy programme should be formulated; the GSP was no doubt a part of trade policy, but only a minor technical part. The question of the continuation of special information seminars on GSP matters should be carefully examined. Some other recommendations in paragraph 35 were not easy to adopt. While it would be useful to provide full-time experts to ensure continuity, it was doubtful whether the necessary experts or funds could be provided.

195. With respect to the assessments of the needs of developing countries (para. 48), these were very much to the point. For example, practice showed that GSP preference-receiving countries which at the same time benefited from the Lomé Convention sometimes faced specific difficulties in their GSP trade, especially in cases of transit trade through an EEC member State to another GSP preference-giving country.

196. The representative of India said that she valued the technical assistance activities of UNCTAD in regard to the GSP and agreed that the necessary resources should be provided. She particularly looked forward to the full operationalization of the GSP computerized information system, which would enable Indian exporters to access and search for required information and to link up with the ITC's data bank of importers and exporters.

197. The representative of Hungary expressed her country's appreciation to UNCTAD for its technical assistance programme on the GSP. That programme was useful for promoting the effective and wide utilization of GSP. Through its technical assistance programme, the UNCTAD secretariat played an important role in advising beneficiary countries on how to make best use of the individual GSP schemes.

198. She also expressed special thanks for the national seminar on the GSP organized by UNCTAD in Budapest in June 1990, with co-financing from the Government of Japan and support from the Governments of Austria, Australia, Canada and the United States through the provision of experts.

199. The representative of Senegal, referring to the UNCTAD Technical Cooperation Programme on the GSP, said that in many countries, in particular African countries, national focal points were being set up. In considering whether his country might establish such a focal point, following a seminar held in Dakar, his authorities were seeking further information as to the functioning of focal points. It was understood that a pilot project had been established in Indonesia.

200. The representative of Japan said that the UNCTAD GSP Technical Co-operation Programme was useful in promoting more effective and wider utilization of the GSP. Accordingly, Japan had supplied one expert to the UNCTAD secretariat and another to the UNCTAD/UNDP regional project for Asia and the Pacific. His Government had supported seminars, in particular those arranged for Poland, Hungary and Peru in 1990.

201. For fiscal year 1991, his Government was ready to contribute $US 150,000 for GSP seminars under the UNCTAD Technical Co-operation Programme. Pamphlets in English explaining Japan's GSP scheme for fiscal year 1991 would be available from the Japanese authorities shortly.

202. The representative of Ecuador expressed his thanks to the UNCTAD secretariat for the GSP seminars organized in his country in November 1990. Both the public and private sectors had benefited by acquiring a deeper knowledge of the schemes and were thus able to make better use of the system. He stressed the need to increase financial contributions to the technical assistance programme on the GSP in order to enable it to respond to the numerous requests for technical assistance activities.

203. The representative of Sri Lanka said that he was convinced of the usefulness and need for technical assistance in promoting increased utilization of GSP. In the past, such assistance had played a significant role in helping to overcome many of the practical problems relating to fuller utilization of the GSP schemes; it had also created a greater awareness of GSP benefits in the beneficiary countries. His authorities appreciated the efforts of preference-giving countries and groups in providing technical assistance in this field. In view of the increasing demand for such technical assistance and its positive trade effects for beneficiary countries, he hoped that the spirit of cooperation would continue and that Governments would provide the necessary financing.

204. The representative of the USSR said that his country, in view of the liberalization of foreign trade and the forthcoming adoption of a national scheme as a regulator of trade with developing countries, was interested in holding a national seminar devoted to customs policy matters and a national preferential scheme. Such a seminar or workshop might be included in the programme of technical cooperation in connection with the GSP.

205. The representative of China expressed his Government's appreciation for the work of the secretariat in regard to the UNCTAD Technical Co-operation Programme on the GSP.

206. The improvements in GSP implementation in recent years were connected with technical assistance activities. The number of requests from preference-receiving countries for technical assistance was expected to increase, but the problem was the shortage of financial and in-kind contributions. He called upon the international community and the developed countries to increase their contributions. Preference-receiving countries should also make some efforts to the extent possible.

207. Since the preference-receiving countries, to differing degrees, still had difficulties in increasing their utilization of the GSP, the technical cooperation programme should increase the assistance given to preference-receiving countries, in particular to help in analysing the possible influence of the outcome of the Uruguay Round on GSP utilization. It was also necessary to understand how the adverse impact of the safeguard clauses and NTMs applied by the preference-giving countries on the implementation of GSP might be minimized. The GSP computerized information system should be completed and put into operation as soon as possible.

208. The representative of Canada said that his Government had provided continuing assistance to UNCTAD in connection with the GSP. Embassy and High Commission representatives had participated in GSP seminars by making presentations on the Canadian GSP scheme. In June 1990, Canada had also sent technical experts to UNCTAD-sponsored seminars in Poland and Hungary and to a seminar in Romania. Other seminars on the Canadian GSP had also been organized by Canada's Trade Faciliation Office (TFOC), which was funded by the Canadian International Development Agency (CIDA) and whose role was to provide assistance to exporters in developing countries who wished to introduce their products on the Canadian market.

209. The representative of Poland said that the necessity and practical value of the programme of technical cooperation activities relating to the GSP was well recognized. Such activities contributed to the increasing awareness in the preference-receiving countries of the existing possibilities within the various GSP schemes that would result in the expansion and diversification of their exports to the preference-giving countries' markets.

210. He drew attention to the special position of Poland as both a preference-giving and a preference-receiving country. Huge economic constraints confronted the country, although efforts were being made to contribute to the technical assistance programme on GSP. This contribution was mostly in kind, but it would be useful for the beneficiaries of Poland's GSP scheme.

211. At the same time, there was a growing demand in Poland for technical assistance and information with regard to the GSP schemes of the major preference-giving countries. In satisfying these demands, his country recognized the value of the Technical Co-operation Programme on the GSP and Other Trade Laws. He expressed thanks to the Government of Japan, which had

contributed to the financing of three national seminars in Poland in June 1990. In the same context, he also expressed thanks to all Governments which contributed bilaterally to these projects. They were extremely important and useful for small and medium-sized enterprises, especially private ones, which were entering the export business. He hoped that such technical assistance could continue to be provided to Poland in future.

212. The representative of Nigeria said that the low utilization of GSP by developing countries, particularly in Africa, was the result of lack of adequate information and expertise, and training and technical assistance were therefore still required. GSP focal points were also needed, for which funding by the relevant agencies and donor countries would be necessary. There had been only three national seminars organized in Africa in 1990, but five seminars and advisory missions had been set up in Africa for 1991. He appealed for more financial assistance to allow training and technical assistance to continue.

213. The representative of the United States of America said that, over the past year, his country had actively promoted the United States GSP programme as both a business opportunity and a development tool. The United States had continued to participate in and fund, where appropriate, both UNCTAD-sponsored GSP seminars and GSP seminars requested by individual beneficiary countries. Over the past year, the United States had participated in regional UNCTAD seminars in Togo and Peru. The United States had also provided in-kind contributions to the UNCTAD technical assistance programme through the participation of United States experts at UNCTAD-sponsored GSP seminars in nine beneficiary countries - Sri Lanka, Malta, Uganda, the Dominican Republic, Hungary, Poland, Malaysia, Ecuador and Peru. On a bilateral basis, his country had conducted seminars on the United States programme in Hungary, Czechoslovakia, Poland, Turkey and Chile.

214. The United States also promoted its programme in two other ways. First, it published a guidebook containing extensive information about its programme, including information on how to participate in the annual review process. These guidebooks were made available free of charge to any interested individual. Second, the United States operated the GSP information centre, answering thousands of written and telephonic public inquiries each year about the operation of its programme. The GSP information centre was advertised in the guidebook.

215. The representative of Indonesia said that technical cooperation on the GSP and other trade laws was important as it would increase understanding of the system and improve technical skills. The advisory missions to Indonesia and the organization of regional and national seminars had been much appreciated. Technical assistance should be continued in all its forms.

216. The representative of Peru said the fact that his country had attained a reasonable level of utilization of the GSP was due to the technical cooperation which had been provided by UNCTAD and which had made officials and private-sector exporters aware of the benefits of the GSP. The reduction in the funds available for the GSP Technical Co-operation Programme was therefore a matter for serious concern, and he called upon donor countries to make

substantial contributions for that Programme. His country thanked Japan, Canada, Switzerland and the United States for their contributions in connection with a national seminar and a seminar for the Andean countries, held in Lima in November 1990.

217. The representative of Côte d'Ivoire expressed particular satisfaction with UNCTAD GSP technical assistance activities, especially missions, studies and advice designed to disseminate information about the various GSP schemes. However, the African regional project should be reactivated and considerably strengthened to ensure better opportunities with regard to export diversification. Technical assistance should also be provided in connection with the possible impact of the Uruguay Round on existing schemes. Tariff and non-tariff liberalization would have an impact both on schemes and on beneficiary countries' export policies. Studies should be made of that impact, and in particular of possible erosion of preferences. Such studies would help beneficiary countries adjust their export policies.

218. The representative of the Sudan said that technical assistance was very important, particularly as it related to the dissemination of information. Greater attention in this regard had to be paid to the needs of LDCs, particularly in Africa, and seminars and workshops should be organized at both the regional and the national level. In addition, help should be provided for the establishment of national focal points in order to increase awareness of the GSP. Finally, his delegation welcomed the expressions of commitment by certain countries to the Paris Programme of Action for the LDCs and for the emphasis placed by some members of the Committee on the needs of LDCs.

219. The representative of Cuba expressed thanks for the technical assistance provided by the UNCTAD Technical Co-operation Programme and said she hoped that, with the help of preference-giving and other countries, that Programme could be strengthened.

220. The representative of Romania said that, as a result of the demonopolization of foreign trade activities and the increasing number of private entrepreneurs engaged in this field, technical assistance programmes sponsored by the UNCTAD secretariat and some donor countries were even more necessary than before in order to ensure the realization of the benefits of GSP schemes.

221. The representative of Thailand said she was convinced that technical assistance was useful and necessary for increasing the utilization of the GSP. It helped developing countries to understand and make more effective use of the GSP and thus increase their exports.

## Chapter IV

## PROCEEDINGS OF THE 171st (CLOSING) PLENARY MEETING

### Action by the Special Committee on Preferences on agenda items 3, 4 and 5

222. At the Special Committee's 171st (closing) plenary meeting, on 17 May 1991, the Chairman, referring to agenda items 3, 4 and 5, introduced draft resolution TD/B/C.5/L.76, with some oral amendments.

223. At the same meeting, the Special Committee adopted draft resolution TD/B/C.5/L.76, as orally amended (for the text of the resolution, see resolution 13 (XVIII) in annex I).

224. Draft resolution TD/B/C.5/L.74 (see para. 152 above) was then withdrawn by its sponsors.

225. The representative of the United States of America said that paragraph 10 of resolution 13 (XVIII) invited UNDP to provide assistance to UNCTAD's computerized information system. In receiving any such possible request from UNCTAD, UNDP would have to respond in accord with its own priorities and within its own resource constraints.

226. The Chairman, referring to agenda item 4, presented draft decision TD/B/C.5/L.75, entitled "Technical modifications to Forms A, B and APR for the GSP", with some oral amendments.

227. The Special Committee adopted draft decision TD/B/C.5/L.75, as orally amended (for the text of the decision, see decision 14 (XVIII) in annex I).

### Closing statements

228. The spokesman for the Group of 77 (India) said that her Group was very satisfied with the outcome of the Committee's eighteenth session, which had achieved the progress hoped for and built on the results of the seventeenth session. The Special Committee had provided guidance for work at UNCTAD VIII with respect to helping to make the GSP a dynamic instrument for the development of developing countries. More heartening still was the spirit of goodwill and understanding which had pervaded the Special Committee's deliberations, and it was hoped that the same spirit would prevail in other UNCTAD bodies, as well as in the preparations for UNCTAD VIII.

229. The spokesman for Group B (Greece) expressed his Group's satisfaction with the positive outcome of the Special Committee's work and with resolution 13 (XVIII), which in some respects represented a step forward from the outcome of the Committee's seventeenth session. The results of the Committee's session served as a good omen for further achievements in the period leading up to UNCTAD VIII.

230. The representative of China said that the Special Committee had achieved a positive outcome to its work, and he welcomed the spirit of understanding and compromise which had marked the Committee's discussions. China, as a beneficiary country, was ready to contribute to the development of the GSP.

231. The spokesman for Group D (Czechoslovakia) expressed appreciation for the cooperative attitude shown by the other groups and China.

232. The Deputy to the Secretary-General of UNCTAD said that the Special Committee's eighteenth session had been a successful and practical one and had provided continuity between the comprehensive review of the GSP undertaken in 1990 and UNCTAD VIII, to be held in 1992. The Special Committee had adopted resolution 13 (XVIII), a central thrust of which was the extension of the GSP for another decade. Some particularly difficult areas had also been addressed, such as safeguards, the incidence of NTMs linked to the GSP and concrete suggestions for improving rules of origin.

233. With regard to UNCTAD technical cooperation activities related to the GSP and other trade laws, a novelty had been introduced in the form of a practical demonstration of the computerized information system on the GSP. It was hoped that, through this demonstration, delegations had been able to appreciate the practicality of such a tool for developing countries. The computerized system should assist them by increasing their knowledge of the operation of the GSP, which should in turn lead to increased utilization of the system.

234. Finally, he emphasized that the GSP was seen not only as an important trade policy instrument in its own right but also as an important UNCTAD programme which linked trade and development issues. As indicated in the Committee's resolution, UNCTAD VIII would provide an opportunity for further consideration of the GSP as an important instrument of development cooperation.

235. The Chairman said that the Special Committee's eighteenth session had been very useful and had built on the results of the seventeenth session, which had already been a landmark in cooperation between developed and developing countries. Efforts by the international community to liberalize world trade had been given further impetus. Such progress would not have been possible without the spirit of reconciliation shown by Committee members, a spirit which demonstrated that global interdependence had become a reality.

## Chapter V

## ORGANIZATIONAL MATTERS

### A. Opening of the session

236. The eighteenth session of the Special Committee on Preferences was opened by Mr. G.M. Chipare (Zimbabwe), Chairman of the Special Committee at its seventeenth session.

### B. Election of officers

(Agenda item 1)

237. At its 165th (opening) plenary meeting, on 10 May 1991, the Special Committee elected its bureau, as follows:

Chairman: Mr. C. H. Matute Irias (Honduras)

Vice-Chairmen: Ms. M. Ceijas de Jimenez (Cuba)
Mr. A. Azaiez (Tunisia)
Mr. D. Cagliostro (Italy)
Mr. T. Osawa (Japan)
Mr. V.A. Kouvshinov (USSR)

Rapporteur: Ms. Yong Siew Min (Singapore)

### C. Adoption of the agenda and organization of work

(Agenda item 2)

238. Also at its 165th plenary meeting, the Special Committee adopted its provisional agenda (TD/B/C.5/133), as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of the implementation, maintenance, improvement and utilization of the generalized system of preferences

4. Consultations on harmonization and improvement of the rules of origin

5. Technical assistance in connection with the generalized system of preferences

6. Provisional agenda for the nineteenth session of the Special Committee on Preferences

7. Other business

8. Adoption of the report of the Special Committee on Preferences to the Trade and Development Board.

## D. Attendance*

239. The following States members of UNCTAD were represented at the session: Argentina; Australia; Austria; Belgium; Bolivia; Brazil; Bulgaria; Canada; Chile; China; Colombia; Costa Rica; Côte d'Ivoire; Cuba; Czechoslovakia; Denmark; Dominica; Ecuador; Egypt; El Salvador; Ethiopia; Finland; France; Germany; Ghana; Greece; Honduras; Hungary; India; Indonesia; Iran (Islamic Republic of); Ireland; Italy; Japan; Jordan; Kenya; Madagascar; Malaysia; Malta; Mexico; Mongolia; Morocco; Myanmar; Namibia; Netherlands; New Zealand; Nicaragua; Nigeria; Norway; Pakistan; Panama; Peru; Philippines; Poland; Portugal; Qatar; Republic of Korea; Romania; Senegal; Singapore; Spain; Sri Lanka; Sudan; Sweden; Switzerland; Thailand; Tunisia; Turkey; Union of Soviet Socialist Republics; United Kingdom of Great Britain and Northern Ireland; United Republic of Tanzania; United States of America; Uruguay; Venezuela; Yugoslavia; Zimbabwe.

240. The United Nations Development Programme was represented at the session.

241. The following specialized and related agencies were represented at the session: International Monetary Fund; United Nations Industrial Development Organization. The General Agreement on Tariffs and Trade was also represented.

242. The following intergovernmental organizations were represented at the session: European Economic Community; Permanent Secretariat of the General Treaty on Central American Economic Integration.

243. The following non-governmental organization was represented at the session: General Category: World Federation of United Nations Associations.

## E. Credentials

(Agenda item 7)

244. At its 171st plenary meeting, on 17 May 1991, the Special Committee on Credentials approved the report of the Bureau on credentials (TD/B/C.5/139).

## F. Provisional agenda for the nineteenth session of the Special Committee on Preferences

(Agenda item 6)

245. At its 171st plenary meeting, on 17 May 1991, the Special Committee adopted the draft provisional agenda for its nineteenth session (TD/B/C.5/L.77). For the text of the provisional agenda for the nineteenth session, see annex II.

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* For the list of participants, see TD/B/C.5/INF.18.

## G. Adoption of the report of the Special Committee on Preferences to the Trade and Development Board

(Agenda item 8)

246. At its 171st (closing) plenary meeting, on 17 May 1991, the Special Committee adopted the draft report on its eighteenth session (TD/B/C.5/L.73 and Add.1-3) and authorized the Rapporteur to complete the final text as appropriate.

Annex I

RESOLUTION AND DECISION ADOPTED BY THE SPECIAL COMMITTEE ON PREFERENCES AT ITS EIGHTEENTH SESSION

Resolution 13 (XVIII)

The Special Committee on Preferences,

Recalling Conference resolution 21 (II), relevant provisions of Conference resolution 159 (VI) and of the Final Act of UNCTAD VII relating to the GSP, the Agreed conclusions annexed to Trade and Development Board decision 75 (S-IV), and its decision 9 (XVI) and resolution 11 (XVII),

Reaffirming its commitment to the GSP, recalling the objectives of the GSP, stressing its importance as an instrument for expansion of international trade, and, looking ahead into the 1990s, noting the important changes taking place in the global economy,

Noting UNCTAD documents presesnted at its eighteenth session.

1. Welcomes the extension of the scheme of the Government of Japan to the end of March of the year 2001, the intention for a renewed European Community GSP scheme for the decade 1991-2000, the indefinite schemes of Norway and Sweden, as well as similar intent expressed by some other preference-giving countries at its eighteenth session and, in view of the need to ensure that the GSP achieves its full potential and meets its objectives, calls upon preference-giving countries to extend, strengthen and improve their schemes; recognizes also that developing countries should make complementary efforts to utilize as fully as possible the benefits from potential trade advantages created by the GSP;

2. Reaffirms the agreement in its decision 9 (XVI) in respect of multilaterally agreed principles of the GSP;

3. Recognizes that a substantial expansion of product coverage to include hitherto excluded products of current and potential export interest to developing countries would constitute a major improvement in the effectiveness of the GSP and calls upon preference-giving countries to consider, if possible, comprehensive product coverage, especially in the context of the review of the schemes under way in many preference-giving countries;

4. Recognizes the need for preference-giving countries to provide for meaningful preferential tariff margins and to consider, especially in the context of the ongoing review of their schemes, granting deeper tariff cuts aimed at duty-free treatment under the GSP for products of export interest to developing countries, including those products subject to tariff peaks and escalation;

5. Urges preference-giving countries to make efforts to reduce a priori limitations and restrictions on preferential imports and frequent withdrawals of preferential benefits so as to impart, and enhance, stability and predictability to the schemes and recognizes that the review of some schemes under way provides an opportunity for them to do so;

6. Recognizes that safeguard measures in the context of the GSP, if taken, be based on the principles of exceptionality, temporariness and consultative procedures in accordance with the annex to Board decision 75 (S-IV) and be based on objective criteria and follow transparent procedures;

7. Recognizes that non-tariff measures linked to GSP schemes can significantly reduce the benefits from those schemes and expresses concern at the incidence of NTMs in this regard;

8. Underlines the significance of improving the rules of origin in the increased utilization of the GSP schemes; recommends that preference-giving countries continue considering simplification and improvement of their rules of origin; in this regard, recognizes the potential contribution which preference-giving country content in the rules of origin can make in stimulating economic cooperation and two-way trade. In particular, between developed and developing countries, and urges preference-giving countries to consider incorporating this element in the context of liberalizing their rules of origin; recognizes also that the grant of regional and subregional cumulation facilities under the GSP in an interdependent world economy may facilitate economic cooperation among developing countries;

9. Calls upon preference-giving countries to fully implement the relevant provisions of the Paris Declaration and Programme of Action 1/ in respect of GSP measures in favour of least developed countries and agrees that special consideration be given to products of export interest to them, in particular the provision of duty-free access;

10. Recognizes the contribution of technical assistance as a complement to efforts by developing countries to better utilize the GSP; appreciates the report entitled "Evaluation of technical cooperation activities relating to the GSP and other trade laws" 2/ and urges that the continuation and strengthening of such cooperation take into account its recommendations in the light of the deliberations of this present session and that countries, UNDP and other potential donors provide the financial and in-kind support required to meet the increasing demands for technical assistance, with special attention to the needs of the least developed countries for such assistance; appreciates the assistance provided for the first phase of the GSP computerized information system; and invites countries, UNDP and other potential donors to provide further assistance for its next phase;

11. Requests the UNCTAD secretariat, in preparation of its documentation for the next session of the Special Committee, to take into account the recent developments, including in the Uruguay Round, affecting market access of developing countries in areas of export interest to them;

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1/ TD/B/1289, annex I.

2/ TD/B/C.5/136.

12. Affirms the importance of the principles and objectives of the GSP in providing preferential market access to developing countries and recognizes that UNCTAD VIII provides an opportunity for further consideration of the GSP as an important instrument of development cooperation.

171st meeting
17 May 1991

## Decision 14 (XVIII). Technical modifications to Forms A, B and APR for the GSP

The Special Committee on Preferences at its eighteenth session;

Having considered document TD/B/C.5/137 concerning the revision of the technical changes in the notes on the back of certificate of origin of Forms A, B and APR,

Agrees that the text annexed hereto should legally take effect from 1 January 1992.

171st meeting
17 May 1991

### Annex

### AMENDMENTS TO FORMS A, B and APR

I. Notes on the back of the certificate of origin Form A

1. The following changes are to be made:

(1) Replace NOTES (1988) with NOTES (1992), on the top of the back of the certificate

(2) Under note I

(a) Replace Federal Republic of Germany with Germany;

(b) Replace People's Republic of Bulgaria with Republic of Bulgaria;

(c) Replace Czechoslovak Socialist Republic with Czech and Slovak Federal Republic;

(d) Replace the Hungarian People's Republic with Republic of Hungary;

(e) Replace the Polish People's Republic with Republic of Poland;

(f) Put a double asterisk (**) after New Zealand and United States of America.

(3) Under note III

(a) Note III (b) (2) should read as follows: Canada: for products which meet origin criteria from working or processing in two or more beneficiary countries, enter letter "G" in Box 8; otherwise "F".

(b) Note III (b) (3) should read as follows: Austria, Finland, Japan, Norway, Sweden, Switzerland and the European Economic Community: enter the letter "W" in Box 8 followed by the Harmonized Commodity Description and Coding System (Harmonized System) heading at the 4-digit level of the exported product (example "W" 96.18).

(4) Under footnote

Add the following new footnote: ** Official certification is not required.

2. The above changes to the notes will legally take effect from 1 January 1992.

3. The existing stocks of Form A could continue to be used until they are exhausted.

4. The new amended Form A may already be printed in 1991.

II. Notes in Form B (APPLICATION FOR CERTIFICATE OF ORIGIN)

1. The following changes are to be made:

In the second and fifth lines of footenote (1), delete "CCC Nomenclature" and the parentheses around Harmonized System, and add "at the 4-digit level" after "Harmonized System heading".

2. Paragraphs 2 to 4 of I above should similarly apply to Form B.

III. Notes on the back of Form APR in English version.

1. The following corrections should be made:

(1) Replace NOTES (1988) with NOTES (1992), on the top of the Form;

(2) Under Note 1: Australia, Canada, Japan, New Zealand and United States of America should be deleted;

(3) Under Note 2 (c): "(For Australia, direct consignment is not necessary.)" Should be deleted;

(4) Note 3: The title should read "Entries to be made in Box 7" instead of "Entries to be made in Box 8".

(5) Note 3 (b): Delete "Customs Co-operation Council Nomenclature" and the parentheses around Harmonized System, and add "at the 4-digit level" after "Harmonized System heading".

2. Paragraphs 2 to 4 of I above should similarly apply to the Form APR among the preference-giving countries concerned.

Annex II

PROVISIONAL AGENDA FOR THE NINETEENTH SESSION OF THE SPECIAL COMMITTEE ON PREFERENCES

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of the implementation, maintenance, improvement and utilization of the generalized system of preferences

4. Consultations on harmonization and improvement of the rules of origin

5. Technical assistance in connection with the generalized system of preferences

6. Provisional agenda for the twentieth session of the Special Committee on Preferences

7. Other business

8. Adoption of the report of the Special Committee on Preferences to the Trade and Development Board.

Annex III

CHECK-LIST OF DOCUMENTS

| Symbol | Title | Agenda Item |
|---|---|---|
| TD/B/C.5/133 | "Provisional agenda and annotations to the provisional agenda": note by the UNCTAD secretariat | 2 |
| TD/B/C.5/134 and Add.1 | "Fourteenth general report on the implementation of the generalized system of preferences": report by the UNCTAD secretariat | 3 |
| TD/B/C.5/135 | "Technical cooperation in connection with the generalized system of preferences": report by the UNCTAD secretariat | 5 |
| TD/B/C.5/136 | "Evaluation of technical cooperation activities relating to the generalized system of preferences and other trade laws": report by the UNCTAD secretariat | 5 |
| TD/B/C.5/137 | "Technical modification of the notes of certificate of origin Forms A and APR": report by the UNCTAD secretariat | 4 |
| TD/B/C.5/138 | "Agenda for the eighteenth session of the Special Committee on Preferences" | 2 |
| TD/B/C.5/139 | "Report of the Bureau on Credentials" | 7 |
| UNCTAD/ITP/55 | "Incidence of non-tariff measures on imports of GSP-covered products": study prepared by Don P. Clark | 3 |
| TD/B/C.5/L.73 and Add. 1-3 | "Draft report of the Special Committee on Preferences on its eighteenth session" | 8 |
| TD/B/C.5/L.74 | "Draft resolution submitted by the representative of India on behalf of the States members of the Group of 77" | 3, 4 and 5 |

| Symbol | Title | Agenda Item |
|---|---|---|
| TD/B/C.5/L.75D | "Technical modifications to Forms A, B and APR for the GSP": draft decision submitted by the Chairman | 5 |
| TD/B/C.5/L.76 | "Draft resolution submitted by the Chairman" | 3, 4 and 5 |
| TD/B/C.5/L.77 | "Provisional agenda for the nineteenth session of the Special Committee on Preferences" | 6 |
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Printed at United Nations, Geneva
GE.91-51361
August 1991–3,380

United Nations publication